



**Financial Statements
and Supplemental Information**

Manomet, Inc.

September 30, 2020 and 2019



MANOMET, INC.

Financial Statements and Supplemental Information

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Manomet, Inc. ("Manomet"), which comprise the statements of financial position as of September 30, 2020 and 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2020 and 2019, 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.

Other Matters

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2020, Manomet adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* and ASU No. 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our Opinion is not modified with respect to these matters.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2021, on our consideration of Manomet’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manomet’s internal control over financial reporting and compliance.

Maya Hoffman McCann P.C.

February 9, 2021
Providence, Rhode Island

MANOMET, INC.

Statements of Financial Position

| | September 30, | |
|--|-----------------------------|-----------------------------|
| | 2020 | 2019 |
| Assets | | |
| Cash and cash equivalents | \$ 2,784,483 | \$ 2,032,202 |
| Accounts receivable, net | 743,053 | 1,052,518 |
| Pledges receivable, net | 191,575 | 336,780 |
| Investments | 24,487,025 | 23,505,920 |
| Split interest agreements | 74,299 | 68,411 |
| Other assets | 10,492 | 14,907 |
| Property and equipment, net | <u>939,576</u> | <u>973,840</u> |
| Total assets | <u>\$ 29,230,503</u> | <u>\$ 27,984,578</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 259,177 | \$ 273,789 |
| Deferred revenue/contract liability | <u>214,158</u> | <u>437,820</u> |
| Total liabilities | <u>473,335</u> | <u>711,609</u> |
| Net assets: | | |
| Without donor restrictions | 6,234,241 | 5,807,105 |
| With donor restrictions | <u>22,522,927</u> | <u>21,465,864</u> |
| Total net assets | <u>28,757,168</u> | <u>27,272,969</u> |
| Total liabilities and net assets | <u>\$ 29,230,503</u> | <u>\$ 27,984,578</u> |

MANOMET, INC.

Statement of Activities

Year Ended September 30, 2020
(with comparative totals for 2019)

| | 2020 | | 2019 | |
|--|---|--|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Operating revenue and support: | | | | |
| Grants and contracts | \$ 1,186,601 | \$ - | \$ 1,186,601 | \$ 1,408,024 |
| Contributions | 830,794 | - | 830,794 | 913,649 |
| Payroll Protection Program | 397,655 | - | 397,655 | - |
| Program fees | 3,225 | - | 3,225 | 10,469 |
| Interest | 22,264 | - | 22,264 | 31,562 |
| Amounts appropriated under endowment spending policy and spent for current operations | 833,905 | - | 833,905 | 936,104 |
| Amounts appropriated under endowment spending policy in prior periods and spent for current operations | 44,719 | - | 44,719 | 92,480 |
| Amounts earmarked in prior periods and spent for current operations | 27,126 | - | 27,126 | 39,223 |
| Net assets released from restrictions | 1,340,320 | - | 1,340,320 | 1,580,188 |
| Total operating revenue and support | 4,686,609 | - | 4,686,609 | 5,011,699 |
| Expenses: | | | | |
| Programs | 3,012,566 | - | 3,012,566 | 3,554,792 |
| Administration | 1,377,981 | - | 1,377,981 | 1,224,295 |
| Fundraising | 295,919 | - | 295,919 | 231,692 |
| Total expenses | 4,686,466 | - | 4,686,466 | 5,010,779 |
| Change in net assets from operations | 143 | - | 143 | 920 |
| Nonoperating activities: | | | | |
| Amounts appropriated under endowment spending policy reserved for future periods | 119,376 | - | 119,376 | (33,052) |
| Amounts earmarked in current period reserved for future periods | 157,333 | - | 157,333 | (32,798) |
| Investment return, net of spending | 132,088 | 843,177 | 975,265 | 421,101 |
| Gain on investments held in charitable remainder unitrusts | 17,996 | (9,111) | 8,885 | 1,085 |
| Contributions | 200 | 1,543,157 | 1,543,357 | 1,088,662 |
| Change in allowance and discount for pledges | - | 20,160 | 20,160 | 61,618 |
| Net assets released from restrictions | - | (1,340,320) | (1,340,320) | (1,580,188) |
| Total nonoperating activities | 426,993 | 1,057,063 | 1,484,056 | (73,572) |
| Change in net assets | 427,136 | 1,057,063 | 1,484,199 | (72,652) |
| Net assets, beginning | 5,807,105 | 21,465,864 | 27,272,969 | 27,345,621 |
| Net assets, ending | \$ 6,234,241 | \$ 22,522,927 | \$ 28,757,168 | \$ 27,272,969 |

See accompanying notes to the financial statements.

MANOMET, INC.

Statement of Activities

Year Ended September 30, 2019

| | <i>Without Donor Restrictions</i> | <i>With Donor Restrictions</i> | <i>Total</i> |
|--|---|--|-----------------------------|
| Operating revenue and support: | | | |
| Grants and contracts | \$ 1,408,024 | \$ - | \$ 1,408,024 |
| Contributions | 913,649 | - | 913,649 |
| Program fees | 10,469 | - | 10,469 |
| Interest | 31,562 | - | 31,562 |
| Amounts appropriated under endowment spending policy and spent for current operations | 936,104 | - | 936,104 |
| Amounts appropriated under endowment spending policy in prior periods and spent for current operations | 92,480 | - | 92,480 |
| Amounts earmarked in prior periods and spent for current operations | 39,223 | - | 39,223 |
| Net assets released from restrictions | <u>1,580,188</u> | <u>-</u> | <u>1,580,188</u> |
| Total operating revenue and support | <u>5,011,699</u> | <u>-</u> | <u>5,011,699</u> |
| Expenses: | | | |
| Programs | 3,554,792 | - | 3,554,792 |
| Administration | 1,224,295 | - | 1,224,295 |
| Fundraising | <u>231,692</u> | <u>-</u> | <u>231,692</u> |
| Total expenses | <u>5,010,779</u> | <u>-</u> | <u>5,010,779</u> |
| Change in net assets from operations | <u>920</u> | <u>-</u> | <u>920</u> |
| Nonoperating activities: | | | |
| Amounts appropriated under endowment spending policy reserved for future periods | (33,052) | - | (33,052) |
| Amounts earmarked in current period reserved for future periods | (32,798) | - | (32,798) |
| Investment return, net of spending policy | 57,080 | 364,021 | 421,101 |
| Gain on investments held in charitable remainder unitrusts | 111 | 974 | 1,085 |
| Contributions | (2,790) | 1,091,452 | 1,088,662 |
| Change in allowance and discount for pledges | - | 61,618 | 61,618 |
| Net assets released from restrictions | <u>-</u> | <u>(1,580,188)</u> | <u>(1,580,188)</u> |
| Total nonoperating activities | <u>(11,449)</u> | <u>(62,123)</u> | <u>(73,572)</u> |
| Change in net assets | <u>(10,529)</u> | <u>(62,123)</u> | <u>(72,652)</u> |
| Net assets, beginning | <u>5,817,634</u> | <u>21,527,987</u> | <u>27,345,621</u> |
| Net assets, ending | <u>\$ 5,807,105</u> | <u>\$ 21,465,864</u> | <u>\$ 27,272,969</u> |

MANOMET, INC.

Statements of Cash Flows

| | Years Ended September 30, | |
|--|----------------------------------|----------------------------|
| | 2020 | 2019 |
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,484,199 | \$ (72,652) |
| Adjustments to reconcile change in net assets to cash and cash equivalents used in operating activities: | | |
| Depreciation | 64,193 | 71,735 |
| Contributions restricted for long-term investment | (5,840) | - |
| Net realized and unrealized gains | (1,807,846) | (1,267,733) |
| Changes in: | | |
| Accounts receivable | 309,465 | (505,745) |
| Pledges receivable | 145,205 | 123,420 |
| Investments held in split interest agreements | (5,888) | 1,383 |
| Other assets | 4,415 | (9,480) |
| Accounts payable and accrued liabilities | (14,612) | (81,638) |
| Deferred revenue | (223,662) | 254,060 |
| | <u>(50,371)</u> | <u>(1,486,650)</u> |
| Net cash used in operating activities | (50,371) | (1,486,650) |
| Cash flows from investing activities: | | |
| Proceeds from sale and maturity of investments | 832,581 | 846,632 |
| Purchase of investments | (5,840) | - |
| Purchase of property and equipment | (29,929) | (17,500) |
| | <u>796,812</u> | <u>829,132</u> |
| Net cash provided by investing activities | 796,812 | 829,132 |
| Cash flows from financing activities: | | |
| Contributions restricted for long-term investment | 5,840 | - |
| | <u>5,840</u> | <u>-</u> |
| Net cash provided by financing activities | 5,840 | - |
| Change in cash and cash equivalents | 752,281 | (657,518) |
| Cash and cash equivalents, beginning | <u>2,032,202</u> | <u>2,689,720</u> |
| Cash and cash equivalents, ending | \$ <u>2,784,483</u> | \$ <u>2,032,202</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 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, 2020 and 2019 is approximately \$704,000 and \$536,000 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, 2020 and 2019 as Manomet believes that all receivables are collectible.

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/Contract Liability

Deferred revenue/contract liability 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.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

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; amounts earmarked in current period 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.

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.

Under accounting standards, revenue measurement for exchange type transactions is driven via a principles-based process that requires the entity to: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied.

Revenue from grants and contracts included in without donor restrictions are exchange transactions in which Manomet earns revenue for providing services at an agreed upon rate as documented within the corresponding contract. Revenue is recognized as services are provided and costs are incurred. Revenue from government and other grants and contracts included in with donor restrictions are considered conditional support. Certain grants and contracts 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.

Contributed support, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor, while conditional contributions are recorded as revenue as conditions are met. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of discounts are included in contribution revenue in accordance with the donor-imposed restrictions, if any. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses in accordance with the restriction are recorded as revenue within net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purpose restrictions have been satisfied.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Certain contributed support items are considered conditional contributions in that such amounts are not earned until certain performance barriers are met. For example, certain grants and contracts only allow for the reimbursement of costs under a specified framework and thus the revenue associated with such is not considered earned until such valid qualifying cost has been incurred. In other cases, conditional contributions might require that a matching amount of funds be raised or might provide for limited discretion by Manomet over the use of funds. These funds are considered earned and are reported as revenue when Manomet has met their performance obligation which typically is incurring of expenditures or meeting other conditions of the support. Grant or contract funds received in advance, for which Manomet has not met their applicable performance obligation, are accounted for as deferred revenue. Expenditures incurred in advance of funds being received under a conditional grant are recorded as revenue and as grants or accounts receivable when the costs are incurred.

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.

Paycheck Protection Program

Manomet applied for, and received, a forgivable Paycheck Protection Loan of \$397,655 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on May 4, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24 week period following the funding date and that certain employment levels are maintained. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due May 4, 2022 and carries an interest rate of 1%.

As a forgivable grant, management determined the proper accounting for such was under the contribution accounting standards for conditional grants. Accordingly, management has reported grant revenue of \$397,655 as costs were incurred through September 30, 2020, thereby bringing the loan balance to zero at September 30, 2020 given that the material barriers to entitlement have been met.

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.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

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 activities and supporting activities have been summarized on a functional basis in the accompanying statements of activities. The natural classification of expenses by function is presented in Note 8. Certain costs have been allocated among the programs and supporting services benefit. Depreciation and maintenance of property and equipment have been allocated to functional classifications based on square footage. All other expenses are allocated based on time and effort.

New Accounting Pronouncements

In 2020, Manomet adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, associated with revenue recognition. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard addresses inconsistency in revenue recognition by outlining a principles-based system which requires that there be a contract with a customer, that performance obligations be identified, that transaction price be determined, that transaction price is allocated to performance obligations and that revenue be recorded when or as the performance obligations are satisfied over the contract term. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Manomet adopted this standard using the modified retrospective approach on July 1, 2019.

Associated with the adoption of this standard, consideration was given the accounting treatment of certain costs to obtain and fulfill a contract. Certain incremental costs of obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer, that are not in the scope of other existing guidance, should be analyzed for capitalization. There were no costs incurred to obtain and fulfill contracts and, accordingly, no change was made to this accounting.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In 2020, Manomet also adopted ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction. Exchanges would be accounted for using the revenue recognition standards above. It also provides guidance as to when a contribution should be considered conditional which, for example, the case is often when funds are received under federal grants and contracts. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred or a receivable as applicable. The contribution standard was applied using the modified retrospective approach on July 1, 2019.

The adoption of these standards did not impact Manomet as the new accounting requirements for revenue measurement were determined to result in the same result as under prior accounting standards. Transactions in process were considered in evaluating the effects of this change.

In addition, certain changes from adopting these new standards resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

Pending Accounting Standards

Management expects to adopt ASU No. 2016-02, *Leases*, in a future period. The standard requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally, straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective in fiscal year 2023 for Manomet. Manomet is evaluating the impact of the new guidance on the consolidated financial statements.

Certain other accounting standards are also pending that management believes will not have a material effect on future periods and thus a summary of those has not been included here.

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 9, 2021, 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 and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures. If necessary, the Board designated portion of Manomet's endowment net assets could be used to meet cash needs above the approved endowment appropriation and amounted to \$3,318,287 and \$3,186,200 at September 30, 2020 and 2019, respectively.

| | 2020 | 2019 |
|--|-----------------------------|-----------------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 2,784,483 | \$ 2,032,202 |
| Accounts receivable, net | 743,053 | 1,052,518 |
| Pledge receivable, net | 191,575 | 336,780 |
| Investments | 24,487,025 | 23,505,920 |
| Split interest agreements | <u>74,299</u> | <u>68,411</u> |
| Total financial assets at year end | <u>\$ 28,280,435</u> | <u>\$ 26,995,831</u> |
| Financial assets available to meet general expenditures over the next 12 months: | | |
| Cash and cash equivalents | \$ 2,784,483 | \$ 2,032,202 |
| Accounts receivable due in one year or less | 743,053 | 1,052,518 |
| Pledges for general expenditure due in one year or less | 187,116 | 222,865 |
| Endowment appropriation | <u>1,025,000</u> | <u>998,000</u> |
| Total financial assets available to meet general expenditures over the next 12 months | <u>\$ 4,739,652</u> | <u>\$ 4,305,585</u> |

MANOMET, INC.

Notes to Financial Statements

Note 4 – Pledges Receivable

Pledges receivable are comprised of the following at September 30:

| | 2020 | 2019 |
|---------------------------------|--------------------------|--------------------------|
| Amounts due in: | | |
| One year or less | \$ 193,041 | \$ 222,865 |
| One to five years | <u>5,000</u> | <u>130,000</u> |
| Total due | 198,041 | 352,865 |
| Less: Present value discount | (541) | (5,669) |
| Allowance for doubtful accounts | <u>(5,925)</u> | <u>(10,416)</u> |
| Pledges receivable, net | \$ <u>191,575</u> | \$ <u>336,780</u> |

Pledges receivable are discounted at a rate of 3.56% and 4.56% in 2020 and 2019, respectfully.

Note 5 – Property and Equipment

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

| | 2020 | 2019 |
|------------------------------------|--------------------------|--------------------------|
| Land | \$ 375,113 | \$ 375,113 |
| Buildings and improvements | 2,439,044 | 2,439,044 |
| Equipment, furniture and fixtures | <u>606,892</u> | <u>591,268</u> |
| | 3,421,049 | 3,405,425 |
| Less accumulated depreciation | <u>(2,481,473)</u> | <u>(2,431,585)</u> |
| Property and equipment, net | \$ <u>939,576</u> | \$ <u>973,840</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:

| | <u>2020</u> | <u>2019</u> |
|---------------------------|-----------------------------|-----------------------------|
| Cash and cash equivalents | \$ 4,863,798 | \$ 1,690,649 |
| Equities: | | |
| Domestic equities | 12,597,627 | 11,139,713 |
| International equities | <u>3,391,669</u> | <u>4,873,624</u> |
| Total equities | <u>15,989,296</u> | <u>16,013,337</u> |
| Fixed income funds: | | |
| Intermediate funds | <u>3,633,931</u> | <u>3,945,315</u> |
| Other: | | |
| Diversifying strategies | <u>-</u> | <u>1,856,619</u> |
| Investments | \$ <u>24,487,025</u> | \$ <u>23,505,920</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 \$120,000 and \$53,000 for the years ended September 30, 2020 and 2019, respectively. Expenses and fees associated with mutual funds are netted against the return of such funds.

The investments held in split interest agreements of \$74,299 and \$68,411 at September 30, 2020 and 2019, respectively, are included in other assets in the statements of financial position. The corresponding liability for the split interest agreements of \$19,638 and \$21,381 at September 30, 2020 and 2019, 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:

| | 2020 | 2019 |
|---|-----------------------------|-----------------------------|
| Purpose restricted of a temporary nature: | | |
| Unitrust | \$ 13,714 | \$ 22,827 |
| Programs | 1,340,475 | 1,119,381 |
| Total purpose restricted | <u>1,354,189</u> | <u>1,142,208</u> |
| Endowment net assets: | | |
| Accumulated unspent investment income | 5,091,069 | 4,251,827 |
| Net assets in perpetuity: | | |
| Research initiatives | 15,074,973 | 15,074,973 |
| General endowment | 1,002,696 | 996,856 |
| Total net assets in perpetuity | <u>16,077,669</u> | <u>16,071,829</u> |
| Total endowment net assets | <u>21,168,738</u> | <u>20,323,656</u> |
| Total | <u>\$ 22,522,927</u> | <u>\$ 21,465,864</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, 2020:

| | Net Assets without Donor Restrictions | Net Assets with Donor Restrictions | Total |
|---|--|---|-----------------------------|
| Accumulated unspent investment income | \$ - | \$ 5,091,069 | \$ 5,091,069 |
| Donor-restricted endowment funds to be maintained in perpetuity | - | 16,077,669 | 16,077,669 |
| Board-designated endowment funds | <u>3,318,287</u> | <u>-</u> | <u>3,318,287</u> |
| | <u>\$ 3,318,287</u> | <u>\$ 21,168,738</u> | <u>\$ 24,487,025</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, 2019:

| | Net Assets without Donor Restrictions | Net Assets with Donor Restrictions | Total |
|---|--|---|-----------------------------|
| 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> |

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at September 30, 2020:

| | Net Assets without Donor Restrictions | Net Assets with Donor Restrictions | Total |
|--|--|---|-----------------------------|
| Endowment assets and those functioning as endowment assets, beginning of year | <u>\$ 3,186,200</u> | <u>\$ 20,319,720</u> | <u>\$ 23,505,920</u> |
| Gifts and additions | <u>-</u> | <u>5,840</u> | <u>5,840</u> |
| Investment returns: | | | |
| Interest and dividends, net of management fees | 22,404 | 143,015 | 165,419 |
| Net realized and unrealized gains | 244,851 | 1,562,995 | 1,807,846 |
| Total investment returns | <u>267,255</u> | <u>1,706,010</u> | <u>1,973,265</u> |
| Expenditures: | | | |
| Amounts appropriated under endowment spending policy and spent for current operations | (112,943) | (720,962) | (833,905) |
| Amounts appropriated under endowment spending policy previously reserved and spent | (6,057) | (38,662) | (44,719) |
| Amounts appropriated under endowment spending policy and reserved for use in a future period | (16,168) | (103,208) | (119,376) |
| Total expenditures | <u>(135,168)</u> | <u>(862,832)</u> | <u>(998,000)</u> |
| Net investment returns and expenditures | <u>132,087</u> | <u>843,178</u> | <u>975,265</u> |
| Endowment assets and those functioning as endowment assets, end of year | <u>\$ 3,318,287</u> | <u>\$ 21,168,738</u> | <u>\$ 24,487,025</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, 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> |

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, 2020 and 2019.

For the fiscal year ended 2020, 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 \$1,025,000 for the year ending September 30, 2021. 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. In future years when amounts are spent for current operations this activity is reported in operating revenue and support in the Statement of Activities.

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. In future years when amounts are spent for current operations this activity is reported in operating revenue and support in the Statement of Activities.

Following is a summary of activity for the year ended September 30, 2020:

| | |
|--|-------------------|
| Balance, beginning of year | \$ 173,218 |
| Endowment funds | |
| Amounts allocated under endowment spending policy and not spent in the current year | 164,095 |
| Amounts appropriated in prior years and spent in the current year | <u>(44,719)</u> |
| Net amounts appropriated under endowment spending policy reserved for future periods | 119,376 |
| Board-designated non-endowment funds | |
| Earmarked to be spent in future periods | 184,459 |
| Amounts earmarked in prior periods and spent in the current year | <u>(27,126)</u> |
| Net amounts earmarked in current period reserved for future periods | <u>157,333</u> |
| Balance, end of year | <u>\$ 449,927</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, 2020 and 2019.

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%.

MANOMET, INC.

Notes to Financial Statements

Note 7 – Net Assets and Endowment Matters (Continued)

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 8 – Natural Classification of Expenses

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

| | 2020 | | | | | |
|------------------------|----------------------------------|------------------------------------|---------------------------|-----------------------------------|--------------------|---------------------|
| | Conservation Programs | Sustainability Programs | Total Programs | Management and General | Fundraising | Total |
| Salaries and benefits | \$ 1,052,177 | \$ 793,702 | \$ 1,845,879 | \$ 944,670 | \$ 241,857 | \$ 3,032,406 |
| Contractual services | 729,571 | 111,787 | 841,358 | 267,336 | 30,049 | 1,138,743 |
| Travel and meetings | 91,476 | 27,414 | 118,890 | 15,141 | 4,737 | 138,768 |
| Printing and postage | 10,652 | 3,908 | 14,560 | 5,960 | 8,704 | 29,224 |
| Equipment and supplies | 119,150 | 72,729 | 191,879 | 144,874 | 10,572 | 347,325 |
| | \$ 2,003,026 | \$ 1,009,540 | \$ 3,012,566 | \$ 1,377,981 | \$ 295,919 | \$ 4,686,466 |
| | 2019 | | | | | |
| | Conservation Programs | Sustainability Programs | Total Programs | Management and General | Fundraising | Total |
| 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 |

MANOMET, INC.

Notes to Financial Statements

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 \$155,681 and \$115,390 for the years ended September 30, 2020 and 2019, 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.

Note 11 – Commitments and Contingencies

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> | |
|-------------------------------------|-------------------------|
| 2021 | \$ 39,394 |
| 2022 | 5,616 |
| 2023 | <u>5,616</u> |
| Total minimum lease payments | \$ <u>50,626</u> |

Rent expense was \$52,469 and \$48,767 for the years ended September 30, 2020 and 2019, respectively.

On March 11, 2020, The World Health Organization declared the outbreak of coronavirus (COVID-19) a global pandemic. Manomet has been, and will continue to be, impacted by the pandemic due to many projects being delayed or on hold, increased cleaning costs, and many personnel moving to a remote working environment. Accordingly, there is uncertainty related to the future effects of the pandemic.

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.

Supplemental Information

MANOMET, INC.

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2020

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|--|---------------------------|--|------------------------------------|-------------------------|
| Research and Development Cluster: | | | | |
| Department of Interior | | | | |
| Fish and Wildlife Service | | | | |
| International Shorebird Survey | 15.655 | | \$ | \$ 39,247 |
| Arctic Migratory Birds Initiative (AMBI) Administration Assistance | 15.655 | | 10,000 | 31,137 |
| Development of Shorebird Friendly Aquaculture in the Gulf of Fonseca Region | 15.664 | | | 41,145 |
| Advancing AFSI Through National Plans and New Capacity - NMBCA | 15.635 | | | 43,469 |
| Atlantic Flyway Shorebird Initiative | 15.635 | | | 14,866 |
| Altiplano Shorebird Surveys - NMBCA | 15.635 | | 1,642 | 36,758 |
| South America Shorebird Surveys - NMBCA | 15.635 | | | 18,623 |
| Passed through National Fish and Wildlife Foundation | | | | |
| Atlantic Flyway Shorebird Habitat Assessment | 15.663 | 0111.19.063801 | 14,000 | 30,100 |
| Coastal Habitat Restoration for American Oystercatcher - Management | 15.663 | 0801.17.059168 | | 32,072 |
| Increasing On the Ground Capacity to Improve Shorebird Habitat (LA) | 10.902 | 2004.19.066529 | | 27,465 |
| Multi State Best Management Practices to Benefit Shorebirds | 15.663 | 0111.19.063729 | 48,500 | 138,119 |
| Passed through from The College of William and Mary (NFWF) | | | | |
| Conservation for Whimbrels on the Western Atlantic Flyway | 15.663 | 743651-A | | 24,883 |
| Passed through from Wetlands Institute | | | | |
| Horseshoe Crab Restoration in Delaware Bay | 15.RD | None | | 1,400 |
| Total Department of Interior | | | 74,142 | 479,284 |
| Department of Agriculture | | | | |
| Forest Service | | | | |
| Wings Across the Americas | 10.684 | | | 60,647 |
| Rural Business Development | | | | |
| Passed through Rutgers University | | | | |
| Grocery Sustainability in Rural New Jersey (Rutgers University Subaward) | 10.351 | Subaward 1189 | | 5,933 |
| Passed through University of Vermont (SARE) | | | | |
| Expanding Quahog and Oyster Polyculture in Maine | 10.417 | ONE19-341-33243 | | 24,212 |
| Passed through SEMPBA | | | | |
| Green Infrastructure and Conservation Priorities Assessment | 10.664 | 17-DG-11420004-249 | | 1,506 |
| Total Department of Agriculture | | | - | 92,298 |
| Environmental Protection Agency | | | | |
| Grocer Slam Region 1 | | | | |
| Passed through University of Southern Maine | 66.110 | | | 11,041 |
| Environmental Performance Measures for the Maine Craft Beverage Industry (USM) | 66.708 | MS6482250 | | 7,944 |
| Passed through University of Maine | | | | |
| EPA Audubon University of Maine SNEP | 66.RD | SNEP 1-07 | | 5,000 |
| Passed through SRPEDD | | | | |
| Regional Planning and Training on Municipal Tools for Resilient Watersheds - Estuaries | 66.RD | None | | 4,436 |
| Regional Planning and Training on Municipal Tools for Resilient Watersheds - Assawompset | 66.RD | None | | 15,000 |
| Regional Planning and Training on Municipal Tools for Resilient Watersheds - Middleboro | 66.RD | None | | 1,612 |
| Total Environmental Protection Agency | | | - | 45,033 |
| Department of Commerce | | | | |
| Awarded by NOAA Department of Commerce | | | | |
| Investigating the Viability of a Soft-shell Green Crab Industry in New England | 11.427 | | | 121,694 |
| Passed through Northeastern University | | | | |
| Ecological and Socioeconomic impacts of Black Sea Bass | 11.417 | NA18NMF4270189 | | 8,796 |
| Passed through University of Georgia | | | | |
| Sustainable Ecotourism and Shorebird Habitat Protection | 11.419 | SUB00002145/442 | | 13,929 |
| Passed through University of Maine Sea Grant Program | | | | |
| Market Development as Mitigation Strategy for Ecosystem Damage by Invasive Green Crab | 11.417 | UMS 1253 | | 672 |
| Investigating the Viability of Quahog and Oyster Polyculture in Maine | 11.417 | UMS 1230 | | 33,364 |
| Total Department of Commerce | | | - | 178,455 |
| Total Expenditures of Federal Awards and Research and Development Cluster | | | \$ 74,142 | \$ 795,070 |

MANOMET, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2020

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Manomet under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Manomet, it is not intended to and does not present the financial position, changes in net assets or cash flows of Manomet.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Manomet has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reporting Under Government Auditing Standards



*Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Manomet, Inc. ("Manomet"), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Manomet's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manomet's internal control. Accordingly, we do not express an opinion on the effectiveness of Manomet's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manomet's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maye Hoffman McCann P.C.

February 9, 2021
Providence, Rhode Island

Reporting Under the Uniform Guidance



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*Independent Auditors' Report on Compliance For Each Major Federal Program
and Report on Internal Control Over Compliance Based on the Uniform Guidance*

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

Report on Compliance for Each Major Federal Program

We have audited Manomet, Inc.'s ("Manomet") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Manomet's major federal program for the year ended September 30, 2020. Manomet's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Manomet's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Manomet's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Manomet's compliance.

Opinion on Each Major Federal Program

In our opinion, Manomet complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.



Report on Internal Control Over Compliance

Management of Manomet is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Manomet's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Manomet's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

February 9, 2021
Providence, Rhode Island

MANOMET, INC.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2020

Section 1

Summary of Auditors' Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|--|---------------|
| 1. Internal control over major federal programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 2. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 3. Any audit findings disclosed in accordance with 2 CFR 200.516(a)? | No |

4. Identification of program tested:

CFDA Number

Name of Federal Program or Cluster

Cluster Program*

Research and Development Cluster

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

* See Schedule of Expenditures of Federal Awards for a complete listing of the Research and Development Cluster programs and their related CFDA numbers.

MANOMET, INC.

Schedule of Findings and Questioned Costs

Year Ended September 30, 2020

Section 2

Financial Statement Findings

None noted.

Section 3

Federal Award Findings and Questioned Costs

None noted.