



Financial Statements

Manomet, Inc.

September 30, 2022 and 2021



MANOMET, INC.

Financial Statements

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Manomet, Inc. ("Manomet"), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Manomet as of September 30, 2022 and 2021, and the change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Manomet's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Manomet's ability to continue as a going concern for a reasonable period of time.

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

Mayer Hoffman McCann P.C.

Boston, Massachusetts
July 20, 2023

MANOMET, INC.

Statements of Financial Position

| | September 30, | |
|--|-----------------------------|-----------------------------|
| | 2022 | 2021 |
| Assets | | |
| Cash and cash equivalents | \$ 1,833,445 | \$ 3,635,624 |
| Accounts receivable, net | 1,412,603 | 693,724 |
| Pledges receivable, net | 373,971 | - |
| Investments | 21,798,273 | 27,367,521 |
| Split interest agreements | 72,987 | 92,717 |
| Other assets | 5,807 | 7,644 |
| Property and equipment, net | <u>1,225,008</u> | <u>982,264</u> |
| Total assets | <u>\$ 26,722,094</u> | <u>\$ 32,779,494</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 283,595 | \$ 304,151 |
| Deferred revenue/contract liability | <u>165,958</u> | <u>172,309</u> |
| Total liabilities | <u>449,553</u> | <u>476,460</u> |
| Net assets: | | |
| Without donor restrictions | 5,078,450 | 6,826,004 |
| With donor restrictions | <u>21,194,091</u> | <u>25,477,030</u> |
| Total net assets | <u>26,272,541</u> | <u>32,303,034</u> |
| Total liabilities and net assets | <u>\$ 26,722,094</u> | <u>\$ 32,779,494</u> |

MANOMET, INC.

Statement of Activities

Year Ended September 30, 2022
(with comparative totals for 2021)

| | 2022 | | 2021 | |
|--|---|--|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Operating revenue and support: | | | | |
| Grants and contracts | \$ 1,426,157 | \$ - | \$ 1,426,157 | \$ 825,016 |
| Contributions | 920,785 | - | 920,785 | 1,011,114 |
| Payroll Protection Program Grant income | - | - | - | 484,650 |
| Interest and other income | 19,015 | - | 19,015 | 16,570 |
| Amounts appropriated under endowment spending policy and spent for current operations | 1,005,727 | - | 1,005,727 | 855,656 |
| Amounts appropriated under endowment spending policy in prior periods and spent for current operations | - | - | - | 50,859 |
| Amounts earmarked in prior periods and spent for current operations | - | - | - | 27,069 |
| Net assets released from restrictions | 1,702,910 | - | 1,702,910 | 1,388,012 |
| | 5,074,594 | - | 5,074,594 | 4,658,946 |
| Expenses: | | | | |
| Programs | 3,805,629 | - | 3,805,629 | 2,883,752 |
| Administration | 1,820,794 | - | 1,820,794 | 1,535,271 |
| Fundraising | 401,618 | - | 401,618 | 239,136 |
| | 6,028,041 | - | 6,028,041 | 4,658,159 |
| Change in net assets from operations | (953,447) | - | (953,447) | 787 |
| Nonoperating activities: | | | | |
| Investment return, net of spending policy | (782,130) | (4,994,343) | (5,776,473) | 2,869,996 |
| Gain (loss) on investments held in charitable remainder unitrusts | (11,977) | (7,753) | (19,730) | 21,945 |
| Contributions | - | 2,445,816 | 2,445,816 | 1,911,043 |
| Change in allowance and discount for pledges | - | (23,749) | (23,749) | 5,925 |
| Net assets released from restrictions | - | (1,702,910) | (1,702,910) | (1,388,012) |
| Amounts appropriated under endowment spending policy reserved for future periods | - | - | - | 118,484 |
| Amounts earmarked in current period reserved for future periods | - | - | - | 5,698 |
| | (794,107) | (4,282,939) | (5,077,046) | 3,545,079 |
| Change in net assets | (1,747,554) | (4,282,939) | (6,030,493) | 3,545,866 |
| Net assets, beginning | 6,826,004 | 25,477,030 | 32,303,034 | 28,757,168 |
| Net assets, ending | \$ 5,078,450 | \$ 21,194,091 | \$ 26,272,541 | \$ 32,303,034 |

See accompanying notes to the financial statements.

MANOMET, INC.

Statement of Activities

Year Ended September 30, 2021

| | <i>Without Donor Restrictions</i> | <i>With Donor Restrictions</i> | <i>Total</i> |
|--|---|--|----------------------|
| Operating revenue and support: | | | |
| Grants and contracts | \$ 825,016 | \$ - | \$ 825,016 |
| Contributions | 1,011,114 | - | 1,011,114 |
| Payroll Protection Program Grant income | 484,650 | - | 484,650 |
| Interest | 16,570 | - | 16,570 |
| Amounts appropriated under endowment spending policy and spent for current operations | 855,656 | - | 855,656 |
| Amounts appropriated under endowment spending policy in prior periods and spent for current operations | 50,859 | - | 50,859 |
| Amounts earmarked in prior periods and spent for current operations | 27,069 | - | 27,069 |
| Net assets released from restrictions | 1,388,012 | - | 1,388,012 |
| Total operating revenue and support | 4,658,946 | - | 4,658,946 |
| Expenses: | | | |
| Programs | 2,883,752 | - | 2,883,752 |
| Administration | 1,535,271 | - | 1,535,271 |
| Fundraising | 239,136 | - | 239,136 |
| Total expenses | 4,658,159 | - | 4,658,159 |
| Change in net assets from operations | 787 | - | 787 |
| Nonoperating activities: | | | |
| Investment return, net of spending policy | 388,859 | 2,481,137 | 2,869,996 |
| Gain on investments held in charitable remainder unitrusts | 12,627 | 9,318 | 21,945 |
| Contributions | - | 1,911,043 | 1,911,043 |
| Change in allowance and discount for pledges | - | 5,925 | 5,925 |
| Net assets released from restrictions | - | (1,388,012) | (1,388,012) |
| Net assets released from restriction for capital assets | 65,308 | (65,308) | - |
| Amounts appropriated under endowment spending policy reserved for future periods | 118,484 | - | 118,484 |
| Amounts earmarked in current period reserved for future periods | 5,698 | - | 5,698 |
| Total nonoperating activities | 590,976 | 2,954,103 | 3,545,079 |
| Change in net assets | 591,763 | 2,954,103 | 3,545,866 |
| Net assets, beginning | 6,234,241 | 22,522,927 | 28,757,168 |
| Net assets, ending | \$ 6,826,004 | \$ 25,477,030 | \$ 32,303,034 |

See accompanying notes to the financial statements.

MANOMET, INC.

Statements of Cash Flows

| | Years Ended September 30, | |
|--|----------------------------------|----------------------------|
| | 2022 | 2021 |
| Cash flows from operating activities: | | |
| Change in net assets | \$ (6,030,493) | \$ 3,545,866 |
| Adjustments to reconcile change in net assets to cash and cash equivalents provided by (used in) operating activities: | | |
| Depreciation | 62,915 | 66,363 |
| Contributions restricted for long-term investment | (10,000) | (10,500) |
| Net realized and unrealized gains (losses) | 4,770,748 | (3,696,874) |
| Changes in: | | |
| Accounts receivable | (718,879) | 49,329 |
| Pledges receivable | (373,971) | 191,575 |
| Investments held in split interest agreements | 19,730 | (18,418) |
| Other assets | 1,837 | 2,848 |
| Accounts payable and accrued liabilities | (20,556) | 44,974 |
| Deferred revenue | (6,351) | (41,849) |
| | <u>(2,305,020)</u> | <u>133,314</u> |
| Net cash provided by (used in) operating activities | (2,305,020) | 133,314 |
| Cash flows from investing activities: | | |
| Proceeds from sale and maturity of investments | 2,487,787 | 2,326,878 |
| Purchase of investments | (1,689,287) | (1,510,500) |
| Purchase of property and equipment | (305,659) | (109,051) |
| | <u>492,841</u> | <u>707,327</u> |
| Net cash provided by investing activities | 492,841 | 707,327 |
| Cash flows from financing activities: | | |
| Contributions restricted for long-term investment | 10,000 | 10,500 |
| | <u>10,000</u> | <u>10,500</u> |
| Net cash provided by financing activities | 10,000 | 10,500 |
| Net change in cash and cash equivalents | (1,802,179) | 851,141 |
| Cash and cash equivalents, beginning | <u>3,635,624</u> | <u>2,784,483</u> |
| Cash and cash equivalents, ending | \$ <u>1,833,445</u> | \$ <u>3,635,624</u> |

See accompanying notes to the financial statements.

MANOMET, INC.

Notes to Financial Statements

Note 1 – Organization

Manomet, Inc. (“Manomet”) is a Massachusetts not-for-profit corporation established in 1968. Manomet is forging a pathway for the current generation and those to come.

Manomet uses science and collaboration to strengthen bird migration routes, coastal ecosystems, and working lands and seas across the Western Hemisphere. For over 50 years, Manomet has formed vital partnerships with businesses, producers, and educators, to help nature and local communities thrive.

Manomet uses individual birds or species to better explain the threats to shorebirds and to show the wider impact of the projects they undertake and has always believed that education is a big part of creating long-term change. Manomet strives to inspire, mentor, and guide educators and students, especially within underrepresented communities, to create the next generation of conservationists.

From the north slope of Alaska to the southern tip of Argentina, Manomet’s staff and scientists look for high-impact opportunities to make the world a more resilient place.

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 are presented on the accrual basis of 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.

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.

MANOMET, INC.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

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, 2022 and 2021 is approximately \$741,000 and \$422,000 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, 2022 and 2021 as Manomet believes that all receivables are collectible.

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.

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 investments is reported in the statements of activities under net assets without donor restrictions or net assets with donor restrictions as applicable.

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 in accordance with the fair value standards. 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. For items that do not fit within the classification system, as is often the case with private equity and other alternative investments, a so called "practical expedient" is permitted when the criteria for using this method are met. This method allows such positions to be presented at the Net Asset Value ("NAV") per share which is considered fair value for reporting purposes. Fair value standards also require Manomet to classify financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique.

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

- Level 1* – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange, publicly traded mutual funds, and other cash equivalents.
- Level 2* – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3* – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

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

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of Manomet's financial instruments, see Note 6 – Investments and Fair Values of Financial Instruments.

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 asset is 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.

Operations

The statements of activities report the change in net assets from operating and nonoperating activities. Nonoperating activities consist of: investment return net of endowment spending; gains and losses on investments held in charitable remainder unitrusts; contributions with donor restrictions; change in allowance and discount for pledges. In addition, net assets released from restrictions are reported in nonoperating activities consistent with the reporting of the corresponding nonoperating contributions with donor restrictions. 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.

Under accounting standards, revenue may be earned under exchange transactions or contribution transactions which include grants and contracts, as well as various types of contributed support. Exchange transactions are measured via a principles-based process that requires that the entities: 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. Exchange transaction revenues are under arrangements that are one year in length or less.

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

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 Grant Income

Manomet applied for, and received, a second forgivable Paycheck Protection Loan of \$484,650 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on February 6, 2021. Manomet recorded Payroll Protection Program revenue for the full amount for the year ended September 30, 2021, given eligible costs being incurred associated with this funding following the so-called grant accounting method. Formal forgiveness was granted subsequent to year end on October 22, 2021.

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.

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.

Pending Accounting Standards

Management expects to adopt Accounting Standards Update (“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 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.

Subsequent Events

Manomet has evaluated subsequent events through July 20, 2023, the date the financial statements were approved and authorized to be issued.

Subsequent to September 30, 2022, Manomet applied for a refundable tax credit of approximately \$129,000 under the Employee Retention Credit program.

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, 2022 and 2021 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 \$2,925,019 and \$3,707,147 at September 30, 2022 and 2021, respectively.

| | 2022 | 2021 |
|--|-----------------------------|-----------------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 1,833,445 | \$ 3,635,624 |
| Accounts receivable, net | 1,412,603 | 693,724 |
| Pledge receivable, net | 373,971 | - |
| Investments | 21,798,273 | 27,367,521 |
| Split interest agreements | <u>72,987</u> | <u>92,717</u> |
| Total financial assets at year end | <u>\$ 25,491,279</u> | <u>\$ 31,789,586</u> |
| Financial assets available to meet general expenditures over the next 12 months: | | |
| Cash and cash equivalents | \$ 1,833,445 | \$ 3,635,624 |
| Accounts receivable due in one year or less | 1,412,603 | 693,724 |
| Pledges for general expenditure due in one year or less | 147,720 | - |
| Endowment appropriation | <u>1,146,000</u> | <u>1,078,000</u> |
| Total financial assets available to meet general expenditures over the next 12 months | <u>\$ 4,539,768</u> | <u>\$ 5,407,348</u> |

MANOMET, INC.

Notes to Financial Statements

Note 4 – Pledges Receivable

Pledges receivable are comprised of the following at September 30, 2022. There are no pledges receivable at September 30, 2021.

| | | |
|---------------------------------|-----------|-----------------------|
| Amounts due in: | | |
| One year or less | \$ | 147,720 |
| One to five years | | <u>250,000</u> |
| Total due | | 397,720 |
| Less: Present value discount | | (16,117) |
| Allowance for doubtful accounts | | <u>(7,632)</u> |
| Pledges receivable, net | \$ | <u>373,971</u> |

Pledges receivable are discounted at a rate of 3.25% in 2022.

Note 5 – Property and Equipment

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

| | 2022 | 2021 |
|------------------------------------|----------------------------|--------------------------|
| Land | \$ 375,113 | \$ 375,113 |
| Buildings and improvements | 2,633,695 | 2,448,371 |
| Equipment, furniture and fixtures | 761,643 | 641,308 |
| Construction in process | <u>65,308</u> | <u>65,308</u> |
| | 3,835,759 | 3,530,100 |
| Less accumulated depreciation | <u>(2,610,751)</u> | <u>(2,547,836)</u> |
| Property and equipment, net | \$ <u>1,225,008</u> | \$ <u>982,264</u> |

MANOMET, INC.

Notes to Financial Statements

Note 6 – Investments and Fair Values of Financial Instruments

The valuation of Manomet’s financial instruments using the fair value hierarchy consisted of the following at September 30:

| | 2022 | | | |
|-----------------------------------|----------------------|-------------------|--|----------------------|
| | Level 1 | Level 2 | Investments Measured at Nav | Total |
| Assets | | | | |
| Cash and cash equivalents | \$ 606,561 | \$ - | \$ - | \$ 606,561 |
| Domestic equities | 12,420,732 | - | - | 12,420,732 |
| International equities | 3,453,504 | - | - | 3,453,504 |
| Fixed income - intermediate funds | 3,633,169 | 500,000 | - | 4,133,169 |
| Alternative investments | - | - | 1,184,307 | 1,184,307 |
| | - | - | 1,184,307 | 1,184,307 |
| Total assets at fair value | \$ 20,113,966 | \$ 500,000 | \$ 1,184,307 | \$ 21,798,273 |
| | \$ 20,113,966 | \$ 500,000 | \$ 1,184,307 | \$ 21,798,273 |
| | 2021 | | | |
| | Level 1 | Level 2 | Investments Measured at Nav | Total |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,063,760 | \$ - | \$ - | \$ 1,063,760 |
| Domestic equities | 14,559,787 | - | - | 14,559,787 |
| International equities | 4,852,134 | - | - | 4,852,134 |
| Fixed income - intermediate funds | 5,122,085 | 500,000 | - | 5,622,085 |
| Alternative investments | - | - | 1,269,755 | 1,269,755 |
| | - | - | 1,269,755 | 1,269,755 |
| Total assets at fair value | \$ 25,597,766 | \$ 500,000 | \$ 1,269,755 | \$ 27,367,521 |
| | \$ 25,597,766 | \$ 500,000 | \$ 1,269,755 | \$ 27,367,521 |

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.

The redemption frequency for the funds valued at NAV at September 30, 2022 and 2021 is on a quarterly basis.

Management fees totaled approximately \$139,000 and \$130,000 for the years ended September 30, 2022 and 2021, respectively. Expenses and fees associated with mutual funds are netted against the return of such funds.

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:

| | 2022 | 2021 |
|---|-----------------------------|-----------------------------|
| Purpose restricted of a temporary nature: | | |
| Unitrust | \$ 27,910 | \$ 35,661 |
| Programs | <u>2,490,152</u> | <u>1,780,995</u> |
| Total purpose restricted | <u>2,518,062</u> | <u>1,816,656</u> |
| Endowment net assets: | | |
| Accumulated unspent investment income | 2,581,795 | 7,576,140 |
| Net assets in perpetuity: | | |
| Research initiatives | 15,074,973 | 15,074,973 |
| General endowment | <u>1,019,261</u> | <u>1,009,261</u> |
| Total net assets in perpetuity | <u>16,094,234</u> | <u>16,084,234</u> |
| Total endowment net assets | <u>18,676,029</u> | <u>23,660,374</u> |
| Total | <u>\$ 21,194,091</u> | <u>\$ 25,477,030</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 for the years ended September 30, 2022 and 2021.

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, 2022:

| | Net Assets without Donor Restrictions | Net Assets with Donor Restrictions | Total |
|---|--|---|-----------------------------|
| Accumulated unspent investment income | \$ - | \$ 2,581,795 | \$ 2,581,795 |
| Donor-restricted endowment funds to be maintained in perpetuity | - | 16,094,236 | 16,094,236 |
| Board-designated endowment funds | <u>2,925,017</u> | <u>-</u> | <u>2,925,017</u> |
| | <u>\$ 2,925,017</u> | <u>\$ 18,676,031</u> | 21,601,048 |
| Appropriated endowment spending due to operating net assets | | | <u>197,225</u> |
| Total endowment assets | | | <u>\$ 21,798,273</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, 2021:

| | <i>Net Assets without Donor Restrictions</i> | <i>Net Assets with Donor Restrictions</i> | <i>Total</i> |
|---|--|---|-----------------------------|
| Accumulated unspent investment income | \$ - | \$ 7,576,140 | \$ 7,576,140 |
| Donor-restricted endowment funds to be maintained in perpetuity | - | 16,084,234 | 16,084,234 |
| Board-designated endowment funds | <u>3,707,147</u> | <u>-</u> | <u>3,707,147</u> |
| Total endowment assets | <u>\$ 3,707,147</u> | <u>\$ 23,660,374</u> | <u>\$ 27,367,521</u> |

The following represents required disclosure relative to the composition of endowment assets and those functioning as endowment assets at September 30, 2022:

| | <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>\$ 3,707,147</u> | <u>\$ 23,660,374</u> | <u>\$ 27,367,521</u> |
| Gifts and additions | <u>-</u> | <u>10,000</u> | <u>10,000</u> |
| Investment returns: | | | |
| Interest and dividends, net of management fees | 35,264 | 225,166 | 260,430 |
| Net realized and unrealized gains | <u>(681,218)</u> | <u>(4,349,958)</u> | <u>(5,031,176)</u> |
| Total investment returns | <u>(645,954)</u> | <u>(4,124,792)</u> | <u>(4,770,746)</u> |
| Expenditures: | | | |
| Amounts appropriated under endowment spending policy and spent for current operations | (136,176) | (869,551) | (1,005,727) |
| Amounts appropriated under endowment spending policy previously reserved and spent | - | - | - |
| Amounts appropriated under endowment spending policy and reserved for use in a future period | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>(136,176)</u> | <u>(869,551)</u> | <u>(1,005,727)</u> |
| Net investment returns and expenditures | <u>(782,130)</u> | <u>(4,994,343)</u> | <u>(5,776,473)</u> |
| Endowment assets and those functioning as endowment assets, end of year | <u>\$ 2,925,017</u> | <u>\$ 18,676,031</u> | <u>\$ 21,601,048</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, 2021:

| | Net Assets without Donor Restrictions | Net Assets with Donor Restrictions | Total |
|---|--|---|-----------------------------|
| Endowment assets and those functioning as endowment assets, beginning of year | \$ 3,318,287 | \$ 21,168,738 | \$ 24,487,025 |
| Gifts and additions | - | 10,500 | 10,500 |
| Investment returns: | | | |
| Interest and dividends, net of management fees | 26,844 | 171,277 | 198,121 |
| Net realized and unrealized gains | 500,894 | 3,195,980 | 3,696,874 |
| Total investment returns | <u>527,738</u> | <u>3,367,257</u> | <u>3,894,995</u> |
| Expenditures: | | | |
| Amounts appropriated under endowment spending policy and spent for current operations | (115,933) | (739,723) | (855,656) |
| Amounts appropriated under endowment spending policy previously reserved and spent | (6,891) | (43,968) | (50,859) |
| Amounts appropriated under endowment spending policy and reserved for use in a future period | (16,054) | (102,430) | (118,484) |
| Total expenditures | <u>(138,878)</u> | <u>(886,121)</u> | <u>(1,024,999)</u> |
| Net investment returns and expenditures | <u>388,860</u> | <u>2,481,136</u> | <u>2,869,996</u> |
| Endowment assets and those functioning as endowment assets, end of year | \$ <u>3,707,147</u> | \$ <u>23,660,374</u> | \$ <u>27,367,521</u> |

Endowment

Manomet's endowment consists of approximately 30 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.

The calculated spending of endowment funds is budgeted at approximately \$1,146,000 for the year ending September 30, 2023. 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.

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, 2022 and 2021.

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:

| | 2022 | | | | | |
|------------------------|----------------------------------|------------------------------------|---------------------------|-----------------------------------|--------------------|---------------------|
| | Conservation Programs | Sustainability Programs | Total Programs | Management and General | Fundraising | Total |
| Salaries and benefits | \$ 1,536,265 | \$ 540,315 | \$ 2,076,580 | \$ 1,004,383 | \$ 307,981 | \$ 3,388,944 |
| Contractual services | 1,061,128 | 62,310 | 1,123,438 | 435,533 | 38,578 | 1,597,549 |
| Travel and meetings | 295,393 | 27,205 | 322,598 | 77,118 | 5,634 | 405,350 |
| Printing and postage | 10,236 | 4,462 | 14,698 | 3,976 | 16,849 | 35,523 |
| Equipment and supplies | 226,072 | 42,243 | 268,315 | 299,784 | 32,576 | 600,675 |
| | \$ 3,129,094 | \$ 676,535 | \$ 3,805,629 | \$ 1,820,794 | \$ 401,618 | \$ 6,028,041 |
| | 2021 | | | | | |
| | Conservation Programs | Sustainability Programs | Total Programs | Management and General | Fundraising | Total |
| Salaries and benefits | \$ 1,159,565 | \$ 576,574 | \$ 1,736,139 | \$ 1,001,511 | \$ 160,573 | \$ 2,898,223 |
| Contractual services | 762,157 | 76,626 | 838,783 | 307,748 | 49,850 | 1,196,381 |
| Travel and meetings | 66,966 | 3,359 | 70,325 | 37,072 | 1,064 | 108,461 |
| Printing and postage | 6,511 | 1,744 | 8,255 | 11,348 | 17,013 | 36,616 |
| Equipment and supplies | 172,626 | 57,624 | 230,250 | 177,592 | 10,636 | 418,478 |
| | \$ 2,167,825 | \$ 715,927 | \$ 2,883,752 | \$ 1,535,271 | \$ 239,136 | \$ 4,658,159 |

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 \$135,028 and \$121,326 for the years ended September 30, 2022 and 2021, 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 is \$33,758 for the year ended September 30, 2023.

Rent expense was \$34,479 and \$46,040 for the years ended September 30, 2022 and 2021, respectively.

Various legal matters arise in the normal course of Manomet's operations. Management believes that there are currently no outstanding matters which would have a material adverse effect on the financial position of Manomet.