

NEW ENGLAND FORESTRY FOUNDATION, INC.

**FINANCIAL STATEMENTS
YEARS ENDED APRIL 30, 2023 AND 2022**

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Certified Public Accountants & Consultants

NEW ENGLAND FORESTRY FOUNDATION, INC.

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INDEPENDENT AUDITOR’S REPORT

Board of Directors
New England Forestry Foundation, Inc.
Littleton, Massachusetts

Opinion

We have audited the accompanying financial statements of New England Forestry Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of April 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New England Forestry Foundation, Inc. as of April 30, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New England Forestry Foundation, Inc.'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 New England Forestry Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Tonneson & Company, PC

Wakefield, Massachusetts
October 16, 2023

NEW ENGLAND FORESTRY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

APRIL 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
ASSETS:		
Cash and cash equivalents	\$ 926,082	\$ 756,058
Investments	10,231,590	11,491,153
Accounts receivable, net	487,083	-
Contributions receivable, net	307,593	938,143
Grants receivable, net	421,704	427,775
Prepaid expenses	66,656	58,163
Deposits	3,882	3,382
Assets in pooled timber income fund	1,004,136	1,111,659
Property and equipment, net	1,158,774	1,243,266
Foundation forests, net	32,939,699	32,123,356
TOTAL ASSETS	\$ 47,547,199	\$ 48,152,955

LIABILITIES AND NET ASSETS

LIABILITIES:		
Note payable, bank	\$ -	\$ 26,917
Charitable annuities payable, net	56,852	63,789
Accounts payable	63,654	63,444
Accrued expenses	292,241	309,555
Deferred timber sales	-	3,366
Refundable advance	150,275	-
Liability to the beneficiary in pooled timber income fund	407,136	450,623
Deferred trust revenue	141,889	152,081
Total liabilities	1,112,047	1,069,775
NET ASSETS:		
Without donor restrictions		
Undesignated	8,795,708	9,226,189
Board designated	22,766	24,267
Foundation forests, net	28,858,097	28,041,754
	37,676,571	37,292,210
With donor restrictions		
Donor designated	4,676,979	5,709,368
Foundation forests, net	4,081,602	4,081,602
	8,758,581	9,790,970
Total net assets	46,435,152	47,083,180
TOTAL LIABILITIES AND NET ASSETS	\$ 47,547,199	\$ 48,152,955

See Notes to Financial Statements.

NEW ENGLAND FORESTRY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES:			
Contributions and grants	\$ 1,118,887	\$ 552,220	\$ 1,671,107
Contributed goods and services	3,292	-	3,292
Foundation forests contributions	816,343	-	816,343
Net investment return	98,886	19,325	118,211
Timber sales	736,198	-	736,198
Changes in value of pooled timber income fund	(53,844)	-	(53,844)
Other revenue	6,357	-	6,357
Net assets released from restrictions	<u>1,603,934</u>	<u>(1,603,934)</u>	<u>-</u>
Total revenues	<u>4,330,053</u>	<u>(1,032,389)</u>	<u>3,297,664</u>
EXPENSES:			
Program service expenses			
Easement monitoring	113,338	-	113,338
Land conservation	568,911	-	568,911
Education	<u>2,487,203</u>	<u>-</u>	<u>2,487,203</u>
Total program services	<u>3,169,452</u>	<u>-</u>	<u>3,169,452</u>
Supporting services			
Management and general	317,949	-	317,949
Fundraising	<u>458,291</u>	<u>-</u>	<u>458,291</u>
Total supporting services	<u>776,240</u>	<u>-</u>	<u>776,240</u>
Total expenses	<u>3,945,692</u>	<u>-</u>	<u>3,945,692</u>
INCREASE (DECREASE) IN NET ASSETS	384,361	(1,032,389)	(648,028)
NET ASSETS, BEGINNING OF YEAR	<u>37,292,210</u>	<u>9,790,970</u>	<u>47,083,180</u>
NET ASSETS, END OF YEAR	<u>\$ 37,676,571</u>	<u>\$ 8,758,581</u>	<u>\$ 46,435,152</u>

See Notes to Financial Statements.

NEW ENGLAND FORESTRY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES:			
Contributions and grants	\$ 1,076,745	\$ 1,017,541	\$ 2,094,286
Contributed goods and services	3,270	-	3,270
Foundation forests contributions	951,000	-	951,000
Net investment return	(516,214)	(260,812)	(777,026)
Timber sales	910,104	-	910,104
Sale of conservation easement	3,000	-	3,000
Changes in value of pooled timber income fund	129,202	-	129,202
Other revenue	5,722	-	5,722
Net assets released from restrictions	1,203,261	(1,203,261)	-
	<u>3,766,090</u>	<u>(446,532)</u>	<u>3,319,558</u>
Total revenues			
EXPENSES:			
Program service expenses			
Easement monitoring	246,315	-	246,315
Land conservation	352,390	-	352,390
Education	1,820,557	-	1,820,557
Total program services	<u>2,419,262</u>	<u>-</u>	<u>2,419,262</u>
Supporting services			
Management and general	364,569	-	364,569
Fundraising	450,481	-	450,481
Total supporting services	<u>815,050</u>	<u>-</u>	<u>815,050</u>
Total expenses	<u>3,234,312</u>	<u>-</u>	<u>3,234,312</u>
LOSSES:			
Loss on sale of foundation forests	<u>(42,791)</u>	<u>-</u>	<u>(42,791)</u>
INCREASE (DECREASE) IN NET ASSETS	488,987	(446,532)	42,455
NET ASSETS, BEGINNING OF YEAR	<u>36,803,223</u>	<u>10,237,502</u>	<u>47,040,725</u>
NET ASSETS, END OF YEAR	<u>\$ 37,292,210</u>	<u>\$ 9,790,970</u>	<u>\$ 47,083,180</u>

See Notes to Financial Statements.

NEW ENGLAND FORESTRY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED APRIL 30, 2023

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Easement Monitoring</u>	<u>Land Conservation</u>	<u>Education</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 99,092	\$ 224,536	\$ 1,058,774	\$ 1,382,402	\$ 117,989	\$ 252,639	\$ 370,628	\$ 1,753,030
Professional fees	8,484	91,723	559,779	659,986	40,945	51,368	92,313	752,299
Employee benefits	-	28,731	156,234	184,965	77,605	40,546	118,151	303,116
Forest management services	-	-	127,574	127,574	-	-	-	127,574
Payroll taxes	-	8,944	69,405	78,349	21,354	23,142	44,496	122,845
Commission	-	-	122,144	122,144	-	-	-	122,144
Repairs and maintenance	-	3,128	47,805	50,933	20,831	31,127	51,958	102,891
Land conservation contribution	-	100,000	-	100,000	-	-	-	100,000
Depreciation	-	74,554	16,004	90,558	2,507	2,258	4,765	95,323
Publication and communication	183	2,354	46,914	49,451	2,593	23,628	26,221	75,672
Property taxes	-	-	67,379	67,379	-	-	-	67,379
Insurance	-	1,817	43,661	45,478	10,809	8,908	19,717	65,195
Survey and appraisal fees	4,007	-	47,054	51,061	-	-	-	51,061
Meetings and conferences	482	7,964	21,484	29,930	6,959	3,697	10,656	40,586
Travel	528	4,496	30,726	35,750	641	1,081	1,722	37,472
Timber taxes	-	-	31,930	31,930	-	-	-	31,930
Dues and subscriptions	-	5,320	17,074	22,394	481	7,693	8,174	30,568
General supplies and expenses	385	1,027	13,818	15,230	9,100	6,190	15,290	30,520
Bad debt	-	10,000	-	10,000	-	-	-	10,000
Office rent and utilities	-	348	4,618	4,966	1,440	1,622	3,062	8,028
Unemployment reimbursement	-	-	780	780	3,899	520	4,419	5,199
Education programs	-	1,461	2,015	3,476	288	286	574	4,050
Interest	177	2,508	-	2,685	2	515	517	3,202
State filing fees	-	-	579	579	495	2,075	2,570	3,149
Bank and broker charges	-	-	1,452	1,452	11	996	1,007	2,459
Total expenses	\$ 113,338	\$ 568,911	\$ 2,487,203	\$ 3,169,452	\$ 317,949	\$ 458,291	\$ 776,240	\$ 3,945,692

See Notes to Financial Statements.

NEW ENGLAND FORESTRY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED APRIL 30, 2022

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Easement Monitoring</u>	<u>Land Conservation</u>	<u>Education</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 234,532	\$ 198,004	\$ 717,203	\$ 1,149,739	\$ 251,388	\$ 233,968	\$ 485,356	\$ 1,635,095
Professional fees	7,867	8,196	263,079	279,142	13,562	47,380	60,942	340,084
Employee benefits	-	25,893	149,281	175,174	58,252	59,946	118,198	293,372
Commission	-	-	161,315	161,315	-	-	-	161,315
Payroll taxes	-	7,105	69,922	77,027	19,564	23,868	43,432	120,459
Forest management services	-	1,750	118,282	120,032	-	-	-	120,032
Repairs and maintenance	-	10,252	51,304	61,556	6,366	29,752	36,118	97,674
Depreciation	-	74,672	16,771	91,443	814	2,829	3,643	95,086
Property taxes	-	826	65,232	66,058	90	90	180	66,238
Publication and communication	86	4,399	37,763	42,248	502	21,627	22,129	64,377
Insurance	-	2,885	38,163	41,048	3,882	10,407	14,289	55,337
Survey and appraisal fees	1,238	4,481	42,577	48,296	-	-	-	48,296
Timber taxes	-	-	30,964	30,964	-	-	-	30,964
General supplies and expenses	422	1,016	19,290	20,728	2,190	5,856	8,046	28,774
Meetings and conferences	285	1,120	13,433	14,838	1,572	3,473	5,045	19,883
Dues and subscriptions	-	7,738	4,868	12,606	12	5,684	5,696	18,302
Travel	437	546	14,601	15,584	142	146	288	15,872
Unemployment reimbursement	-	-	1,359	1,359	5,607	386	5,993	7,352
Office rent and utilities	-	450	3,544	3,994	437	1,454	1,891	5,885
Interest	1,448	3,057	-	4,505	37	223	260	4,765
State filing fees	-	-	773	773	146	2,335	2,481	3,254
Bank and broker charges	-	-	323	323	6	988	994	1,317
Education programs	-	-	510	510	-	69	69	579
Total expenses	\$ 246,315	\$ 352,390	\$ 1,820,557	\$ 2,419,262	\$ 364,569	\$ 450,481	\$ 815,050	\$ 3,234,312

See Notes to Financial Statements.

NEW ENGLAND FORESTRY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED APRIL 30, 2023 AND 2022

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (648,028)	\$ 42,455
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	95,325	95,086
Net realized and unrealized losses on investments	83,233	981,989
Foundation forests contributions	(816,343)	(951,000)
Donated stocks	(294,443)	(253,777)
Proceeds from donated stock	287,777	246,392
Losses on donated stock	6,666	7,385
Change in value of unamortized discount on charitable annuities	3,007	(10,823)
Loss on sale of foundation forests	-	42,791
Discount on contributions receivable	(19,450)	(30,981)
Discount on grants receivable	(11,272)	(25,147)
(Increase) decrease in operating assets:		
Accounts receivable	(487,083)	13,285
Contributions receivable	650,000	460,000
Grants receivable	17,343	757,864
Prepaid expenses	(8,493)	(33,621)
Deposits	(500)	-
Assets in pooled timber income fund	107,523	(356,804)
Increase (decrease) in operating liabilities:		
Accounts payable	210	(7,775)
Accrued expenses	(17,314)	18,847
Deferred timber sales	(3,366)	(60,295)
Refundable advance	150,275	(225,447)
Liability to the beneficiary in pooled timber income fund	(43,487)	93,010
Deferred trust revenue	(10,192)	29,652
Net cash provided by (used in) operating activities	<u>(958,612)</u>	<u>833,086</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in note receivable	-	-
Proceeds from sale of investments	1,405,973	194,511
Purchase of investments	(229,643)	(876,067)
Purchase of property and equipment	(10,833)	(53,327)
Proceeds from sale of foundation forests	-	10,000
Purchase of foundation forests	-	(46,000)
Net cash provided by (used in) investing activities	<u>1,165,497</u>	<u>(770,883)</u>

See Notes to Financial Statements.

NEW ENGLAND FORESTRY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED APRIL 30, 2023 AND 2022

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from charitable annuities payable	-	25,000
Payments on charitable annuities payable	(9,944)	(8,519)
Principal payments on note payable	<u>(26,917)</u>	<u>(91,915)</u>
Net cash used in financing activities	<u>(36,861)</u>	<u>(75,434)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	170,024	(13,231)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>756,058</u>	<u>769,289</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 926,082</u>	<u>\$ 756,058</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash paid during the years ended April 30 for:

Interest	\$ 177	\$ 1,448
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NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 1 - Statement of Purpose

New England Forestry Foundation, Inc. (the “Foundation”) is a non-profit organization incorporated in Massachusetts in accordance with Internal Revenue Code Section 501(c)(3). The Foundation’s purpose is to promote and provide for the conservation and sustainable management of privately-owned forestlands through assistance to landowners, promoting and actively managing its community forests as demonstration and educational forests, permanently protecting working forests through gifts and acquisitions of land and easements, and promoting and developing sustainable forest practices and policies.

Education:

The Foundation’s education and outreach work fosters the public policies and private actions needed to conserve and sustainably manage New England’s forests. In the course of education work, the Foundation conducts public events including walks, training sessions, workshops, and talks; develops and distributes print and electronic publications; publishes articles in both consumer and professional publications; and participates in local, regional, and national conferences and events. Through all of these activities, the Foundation aims to foster increased landowner and public appreciation of the many benefits that forests provide the citizens of New England, and the role of forest conservation and Exemplary Forestry™ management in fostering and enhancing those benefits.

Land conservation:

To protect forests from fragmentation and development, the Foundation acquires land and conservation easements by both donation and purchase. To date, the Foundation owns more than 140 community forests conserving more than 39,000 acres across New England. The Foundation also holds more than 160 conservation easements that protect and provide for sustainable management of more than 1.1 million acres of forest land owned by private individuals and forest products companies in seven states.

Easement monitoring:

Conservation does not stop once a forest or easement is acquired. The Foundation conducts annual monitoring surveys with all landowners with whom the Foundation holds an easement to ensure that the terms of the easement are maintained. The Foundation works with local foresters throughout New England to sustainably manage community forests, demonstrating high-quality forest practices and providing a sustainable supply of wood, economic opportunity, and jobs to local communities. Forests conserved by the Foundation sequester carbon and through that sequestration can provide carbon credits for CO2 equivalents which can be sold via a carbon market, providing additional revenues for conservation.

Note 2 - Summary of Significant Accounting Policies

Method of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Foundation obtains the rights of ownership or is entitled to claim receipt, and liabilities are recorded when the obligation is incurred.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Assets - The financial statements are prepared in accordance with U.S. generally accepted accounting principles. U.S. generally accepted accounting principles establish standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. The two net asset categories are as follows:

Net Assets Without Donor Restrictions include net assets that are available for use in general operations and not subject to donor (or certain grantor) imposed stipulations.

Net Assets With Donor Restrictions include some net assets that are temporary in nature, which are subject to donor (or certain grantor) imposed stipulations, that may or will be met by actions of the Foundation and/or the passage of time. Other donor (or certain grantor) imposed restrictions are perpetual in nature, whereas the donor stipulates that these resources be maintained in perpetuity. Generally, the donors of these assets permit the Project to use all, or part of the income earned on related investments for general or specific purposes. Donor (or grantor) imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions are then reclassified to net assets without donor restrictions in the statement of activities.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. The Foundation records all contribution receivables as net assets with donor restriction until payment is received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. However, if donor restricted contribution criteria are met and the funds are released in the same year the contribution is received, then the contribution is recorded as a contribution without donor restriction.

The Foundation reports gifts of land, buildings, and equipment as net assets without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates included in the financial statements.

Cash Equivalents - Investments with a maturity of three months or less when purchased are considered to be cash equivalents for financial statement purposes. Cash and cash equivalents designated for investment purposes are categorized as investments for financial statement purposes.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments - Investments are reported at fair value based on current market prices. Equity investments that do not have readily determinable fair values are measured at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transaction for the identical or similar investment of the same issuer. Dividend income is recorded as received or, in the case of dividends which are reinvested, at the time of reinvestment. Interest income is recorded as earned. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Accounts Receivable - Accounts receivable consists primarily of non-interest-bearing amounts due for timber sales. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible at the end of the year. Management deems all accounts receivable are fully collectible. Therefore, no allowance for uncollectible amounts was recorded at April 30, 2023 and 2022.

Contributions and Grants Receivable - Unconditional contributions and grants receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions and grants receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates (8% and 3.5% at April 30, 2023 and 2022, respectively) designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions and grants revenue in the statements of activities. The Foundation determines the allowance for uncollectible contributions and grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions and grants receivable are written off when deemed uncollectible. At April 30, 2023 and 2022, management deems that all grants receivable are fully collectible and, accordingly, no allowance for doubtful accounts is required. Management has established an allowance for uncollectible contribution receivables in the amount of \$10,000 at April 30, 2023. At April 30, 2022, management deemed that all contributions receivable were fully collectible. Therefore, no allowance for uncollectible contributions was recorded at April 30, 2022.

Conditional Contributions - Certain contributions are conditional in nature and are accounted for under FASB ASC 958-605. Such contributions are recognized as certain conditions of the contribution are substantially met by the Organization or explicitly waived by the donor. The original contribution is recorded as a refundable advance and amounts are recognized and applied against the refundable advance as the conditions of release are substantially met.

Donated Goods and Services - The Foundation receives in-kind contributions consisting of land, donated goods, and in-kind professional services. The Foundation reports the fair value of land, donated goods, and donated services that require specialized skills and that would otherwise be purchased by the Foundation as contributions without donor restriction and simultaneously as expense, based on the estimated fair value at the time the goods and services are donated. The Foundation did not monetize any donated goods and services. Additionally, individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as donated services. (Reference is made to Note 20)

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Pooled Timber Income Fund - The Foundation acts as trustee for a pooled timber income fund (the “Fund”), which was established as an irrevocable trust in partnership with The Nature Conservancy, to provide a mechanism whereby donors can contribute land to the Foundation, assign timber rights to the Fund and obtain a revenue stream from the net timber revenue generated from the Fund for the remainder of their lives or over an extended period of time. The Fund is governed by a trust agreement, which generally provides an income stream and a future distribution of cash or other assets to the Foundation. The trust assets, with the exception of the timber rights contributed by the Foundation at inception, are recorded at fair value and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year.

Property and Equipment - Property and equipment are recorded at cost if purchased or fair value if contributed. Routine maintenance and repairs are expensed as incurred. The Foundation provides for depreciation of property and equipment using the straight-line method over the estimated useful lives of the related assets, which range from five to thirty-nine years. Upon retirement or disposition, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in the accompanying statements of activities.

Website development costs are included in property and equipment on the statements of financial position. Website development costs include costs associated with the development and installation of new features to the website, which are reported net of accumulated depreciation. Such costs are depreciated on a straight-line basis over their estimated useful life of thirty-six months. The cost of internally developing, maintaining or restoring the Foundation’s website is expensed as incurred.

Foundation Forests and Easements - The Foundation records land and land interests at cost if purchased or at fair value at the date of acquisition if all or part of the land was received as a donation. Fair value is generally determined by appraisal at the time of acquisition and is not subsequently adjusted. Upon sale or gift, the proceeds are reported net of the book value of the land or land interest sold or gifted as a gain or loss in the accompanying statements of activities.

Conservation easements are comprised of listed rights and/or restrictions over the owned property that are conveyed by a property owner to the Foundation, almost always in perpetuity, in order to protect the owned property as a significant natural area, as defined in federal tax regulations. These easements may be sold or transferred to others so long as the assignee agrees to carry out, in perpetuity, the conservation purposes intended by the original grantor. Donations of conservation easements are not valued due to the nature of the restrictions they place on property.

The Foundation reports write-downs of forests encumbered with conservation easements as an impairment charge in the period in which the easement is purchased or placed. The impairment charge represents the reduction in the fair value of the forest as a result of the conservation easement being placed. The Foundation records purchases of conservation easements as program expenses in the statement of activities. There were no impairments on foundation forests during the years ended April 30, 2023 and 2022.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Charitable Gift Annuities - Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year.

Advertising - The Foundation follows the policy of expensing advertising costs as incurred. Advertising expense totaled \$5,483 and \$5,431 for the years ended April 30, 2023 and 2022, respectively.

Revenue and Revenue Recognition

Revenue is recognized when earned. Revenue from the sale of timber is recognized over time as the harvesting of timber is completed by the customer, commonly a third party timber harvesting company. Timber sale revenue is recognized using an output method on the basis of units delivered. Program service fees, timber sales and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Accounts Receivable and contract liabilities – The timing of revenue recognition may differ from the timing of invoicing to customers, and these timing differences result in receivables, or contract liabilities (deferred revenue) on the Foundation’s statements of financial position. The Foundation records deferred revenue when cash is received but the revenue has not been earned.

Accounts receivable and contract liabilities at April 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ <u>35,433</u>	\$ <u>-</u>
Contract liabilities	\$ <u>-</u>	\$ <u>3,366</u>

Disaggregation of Revenue from Contracts with Customers - Revenue totaling \$736,198 and \$910,104 for the years ended April 30, 2023 and 2022, respectively, was recognized over time.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The Foundation allocates expenses on a functional basis among its programs and supporting services. Supporting services are those related to operating and managing the Foundation and its programs on a day-to-day basis and are composed of the following:

Management and general - includes all activities related to the Foundation's internal management and accounting for program services.

Fundraising - includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for the Foundation's programs.

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Foundation. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The allocation of salaries, employee benefits and payroll taxes are allocated based on estimates of time and effort.

The allocation of professional fees, publication and communication, meetings and conferences, general supplies and expenses, travel, bank and broker charges, dues and subscriptions are allocated based on actual asset usage and estimates of time and effort. The allocations of forest management services, depreciation, commission, repairs and maintenance, property taxes, survey and appraisal fees, insurance, timber taxes, office rent and utilities, and interest are allocated based on actual asset usage and estimates of acreage of the properties.

Allocations of functional expenses are based on management's discretion and estimates. These variables may change from year to year. As a result, there may be fluctuations in the comparative presentation of data from year to year.

Recently Adopted Accounting Pronouncements - During the year ended April 30, 2023, the Foundation adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. The standard also increases disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases*. This new standard was issued to increase transparency and comparability among entities requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most notable among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Additionally, under the new standard disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements (Continued)

The Foundation adopted the new lease standard effective May 1, 2022 and recognized and measured leases existing at May 1, 2022 (the beginning of the period of adoption), if material. Lease accounting and disclosures for the year ended April 30, 2022 are made under prior lease guidance in FASB ASC 840 in which future payments to be made under operating leases, other than deferred rent, were not recorded on the statement of financial position but rather classified and disclosed as commitments and certain long-term lease transactions relating to the financing of property and equipment, if applicable, were classified as capital leases.

The Foundation elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with new guidance, and (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. Adoption of the new lease standard did not have any impact on the Foundation's statement of financial position, statements of activities, functional expenses, nor cash flows.

Income Taxes - The Foundation has been recognized by the Internal Revenue Service as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that is unrelated to its exempt purpose. For the years ended April 30, 2023 and 2022 the Foundation has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation accounts for uncertainty in income taxes in accordance with ASC Topic 740, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at April 30, 2023 and 2022. If applicable, the Foundation accrues interest and penalties on uncertain tax positions as a component of the provision for income taxes. The Foundation files federal and Massachusetts tax returns. The Foundation is generally subject to potential examination by taxing jurisdictions for the prior three years. The Foundation had no returns under examination as of April 30, 2023.

Joint Costs - The Foundation's policy is to allocate clearly identifiable management and general and program services costs of multi-purpose materials that include fundraising appeals to these functions. The remainder of the cost is allocated to fundraising. The Foundation's newsletter is considered a joint cost, and management determines the extent of the fundraising allocation. Joint costs totaled \$43,939 and \$39,589 for the years ended April 30, 2023 and 2022, respectively. These costs were not specifically identifiable to either the program component or the fundraising component of the activities. Joint costs, totaling \$7,524 and \$5,967 were allocated to fundraising for the years ended April 30, 2023 and 2022, respectively. The balance was allocated to program activities.

Subsequent Events - The date to which events occurring after April 30, 2023 have been evaluated for possible adjustment to the financial statements or disclosure is the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 3 - Financial Instruments and Credit Risk

Bank Deposits - The Foundation is subject to concentrations of credit risk by maintaining bank deposits, classified as both cash and cash equivalents and investments, in amounts that exceed federal insurance levels. FDIC insurance limits are \$250,000 per depositor. At April 30, 2023, the maximum loss that could have resulted from this risk totaled approximately \$1,138,000.

Contributions Receivable - Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates. At April 30, 2023 and 2022, approximately 100% and 72% of the Foundation's contributions receivable were due from two donors, respectively. For the years ended April 30, 2023 and 2022, two donors accounted for approximately 25% and 45% of total contributions and grants revenue, respectively.

Grants Receivable - Credit risk associated with grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of their mission. At April 30, 2023 and 2022, approximately 94% and 76% of the Foundation's grants receivable were due from one grantor, respectively.

Investments - Investments are made by diversified investment managers whose performance is monitored by management and the investment committee of the Board of Directors. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported on the statements of financial position. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Note 4 - Availability and Liquidity

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, and investments. To help manage unanticipated liquidity needs, the Foundation has a line of credit with available borrowings of \$150,000 which it could draw upon. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Foundation considers all expenditures related to program services and supporting services to be general expenditures.

The Foundation's Board of Directors has designated a portion of its unrestricted resources for certain purposes. Those amounts are identified as board designated in the table below and remain available to be spent at the discretion of the Board of Trustees.

The following table reflects the Foundation's financial assets as of April 30, 2023 and 2022, respectively, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 4 - Availability and Liquidity (Continued)

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 926,082	\$ 756,058
Investments	10,231,590	11,491,153
Accounts receivable, net	487,083	-
Contributions receivable, net	307,593	938,143
Grants receivable, net	421,704	427,775
	<u>12,374,052</u>	<u>13,613,129</u>
Less amounts not available to be used within one year:		
Board designated net assets	22,766	24,267
Donor restricted net assets for time or purpose	4,676,979	5,709,368
	<u>4,699,745</u>	<u>5,733,635</u>
Financial assets available to meet general expenditures within one year	7,674,307	7,879,494
Liquidity resources - Line of credit borrowings available	<u>150,000</u>	<u>150,000</u>
Total financial assets and liquidity resources available to meet general expenditures within one year	<u>\$ 7,824,307</u>	<u>\$ 8,029,494</u>

As part of the Foundation's liquidity management plan, the Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

Note 5 - Investments

Investments are carried at fair market value and at April 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Mutual funds	\$ 10,053,320	\$ 10,402,149
Cash and cash equivalents	<u>178,270</u>	<u>1,089,004</u>
	<u>\$ 10,231,590</u>	<u>\$ 11,491,153</u>

Investment advisory fees totaled \$28,763 and \$25,061 for the years ended April 30, 2023 and 2022, respectively.

Investments restricted by the donor for endowment purposes are recorded as net assets with donor restrictions based on the original amount of the gift. Dividends and interest on such endowed assets are reflected as an increase in net assets without or with donor restrictions based on the intention stipulated by the donor.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 6 - Fair Value Measurements

Fair value is defined under U.S. generally accepted accounting principles as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. Further, the Foundation is required to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect management's market assumptions. This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.

Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in estimating the value of the asset.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used for the year ended April 30, 2023.

Money market fund - Valued at cost plus earned and/or accrued interest.

Mutual funds - Mutual funds are valued at the closing price reported in the active market in which the individual securities are traded. Investments in mutual funds are classified as Level 1 of the valuation hierarchy.

Assets in the Pooled Timber Income Fund - Assets in the Pooled Timber Income Fund consist mainly of contributed land. Land is valued using third party appraisals at year end. From time to time, assets in the pooled timber income fund may include cash balances. Cash balances are valued at cost plus earned and/or accrued interest.

The following table presents the Foundation's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of April 30, 2023 and 2022:

Level 1	<u>2023</u>	<u>2022</u>
Mutual funds		
Domestic equity	\$ 4,579,898	\$ 4,699,588
International equity	3,030,755	3,088,147
Bonds	2,442,667	2,614,414
	<u>10,053,320</u>	<u>10,402,149</u>
Cash and cash equivalents	<u>178,270</u>	<u>1,089,004</u>
Total Level 1 Investments	<u>\$ 10,231,590</u>	<u>\$ 11,491,153</u>

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 6 - Fair Value Measurements (Continued)

Level 2	<u>2023</u>	<u>2022</u>
Assets in the Pooled Timber Income Fund	\$ 1,004,136	\$ 1,111,659

Note 7 - Conditional Government Grant

During the year ended April 30, 2023, the Foundation received employee retention credits as provided for under the Federal CARES Act and subsequent modifications. The employee retention credits are refundable tax credits against certain employment taxes equal to 70% of qualified wages paid to employees during a quarter, with a limit of \$10,000 per employee. The Foundation has accounted for these credits as a conditional grant in accordance with ASC Topic 958-605, *Revenue Recognition*. During the year ended April 30, 2023, management believes the Foundation has met the requirements to claim the credit and as such, has recorded conditional government grant income in the amount of \$451,650. The employee retention credit program was terminated as of September 30, 2021. As of April 30, 2023, the full amount of the employee retention credits of \$451,650 are recorded as accounts receivable on the accompanying statements of financial position. The IRS has five years, instead of the standard three years to audit ERC claims after filing. Any amounts disallowed upon audit would be required to be repaid.

Note 8 - Contributions Receivable

Contributions receivable at April 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 325,000	\$ 775,000
Due in one to five years	-	200,000
Total unconditional contributions receivable	<u>325,000</u>	<u>975,000</u>
Less: Allowance for doubtful accounts	10,000	-
Unamortized discount	<u>7,407</u>	<u>36,857</u>
Contributions receivable, net	<u>\$ 307,593</u>	<u>\$ 938,143</u>

Note 9 - Grants Receivable

Grants receivable, which consist of amounts due from government agencies and private foundations, are related to conservation easements and programs of the Foundation.

Grants receivable at April 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 421,704	\$ 439,047
Due in one to five years	-	-
Total unconditional grants receivable	<u>421,704</u>	<u>439,047</u>
Less: Unamortized discount	<u>-</u>	<u>11,272</u>
Grants receivable, net	<u>\$ 421,704</u>	<u>\$ 427,775</u>

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 10 - Pooled Timber Income Fund

During the year ended April 30, 2020, the Foundation with the assistance of The Nature Conservancy established a Pooled Timber Income Fund (Fund) to provide a mechanism whereby donors can contribute land to the Foundation, assign timber rights to the Fund and obtain a revenue stream from the net timber revenue generated from the Fund for the remainder of their lives or over an extended period of time. The Foundation and the Nature Conservancy have agreed to keep their timber rights in the Fund for a period of fifty years at which time they will revert back to their respective organizations. The fair value of the donated timber rights from the Nature Conservancy at time of donation was \$384,488. The fair value of the donated timber rights from the Foundation at the time of donation was \$1,075,062. Because the fair value of the timber rights from the Foundation were maintained at historical value, the assets in the Fund do not include the fair value of the Foundation's contributed timber rights.

There were no contributions to the Fund during the year ended April 30, 2023. During the year ended April 30, 2022, the Foundation received contributions of land for the purpose of donating to the Fund in the amount of \$156,909. The timber rights from the donated land were contributed to the Fund. Liabilities for the discounted present value of any income beneficiary are reported as deferred trust revenue on the statements of financial position. At April 30, 2023 and 2022 the Foundation used a discount rate of 2.2%, based on the Charitable Federal Midterm Rate for pooled income funds created within three years of year end. At April 30, 2023 and 2022, the discounted present value to be amortized over the life expectancy of the donors totaled \$141,889 and \$152,081, respectively.

Assets in the Pooled Timber Income Fund at April 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Pooled timber income fund - NEFF and the Nature Conservancy	\$ 415,156	\$ 585,541
Pooled timber income fund - Donors	<u>588,980</u>	<u>526,118</u>
Total assets in pooled timber income fund	<u>\$ 1,004,136</u>	<u>\$ 1,111,659</u>

The liability to the beneficiary in the Pooled Timber Income Fund, inclusive of the liability to the Nature Conservancy, totaled \$407,136 and \$450,623 at April 30, 2023 and 2022, respectively.

The Foundation recorded trustee fee income of \$20,301 and \$17,715 in the accompanying statement of activities for the years ended April 30, 2023 and 2022, respectively. There were no contributions to the Pooled Timber Income Fund during the year ended April 30, 2023. The Foundation recorded contributions of \$118,507 in the accompanying statement of activities for the year ended April 30, 2022.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 11 - Property and Equipment

Property and equipment at April 30, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Buildings and building improvements	\$ 2,297,110	\$ 2,297,110
Office and computer equipment	103,600	106,647
Website development costs	161,717	150,884
Motor vehicle	15,906	15,906
Field equipment	5,838	5,838
Rice sanctuary	830	830
	<u>2,585,001</u>	<u>2,577,215</u>
Less: Accumulated depreciation	<u>1,426,227</u>	<u>1,333,949</u>
	<u>\$ 1,158,774</u>	<u>\$ 1,243,266</u>

Note 12 - Conservation Easements

As of April 30, 2023 and 2022, the Foundation held 159 and 158 conservation easements on 1,154,858 and 1,149,663 acres of land, respectively, including 762,192 acres in the Pingree project and 335,204 acres in the Downeast Lakes project.

During the year ended April 30, 2023, the Foundation received three donations totaling 480 acres. During the year ended April 30, 2022, the Foundation did not receive any donations of conservation easements.

Note 13 - Foundation Forests

Foundation forests, net is summarized as follows:

	<u>April 30, 2023</u>	
	<u>Acres</u>	<u>Amount</u>
Donated Land		
At appraised value at date of contribution	29,068	\$ 25,980,232
Purchased Land		
At cost	10,302	6,959,467
	<u>39,370</u>	<u>\$ 32,939,699</u>

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 13 - Foundation Forests (Continued)

	<u>April 30, 2022</u>	
	<u>Acres</u>	<u>Amount</u>
Donated Land		
At appraised value at date of contribution	28,213	\$ 25,163,889
Purchased Land		
At cost	10,302	6,959,467
	<u>38,515</u>	<u>\$ 32,123,356</u>

Foundation forest acreage by state was as follows:

	<u>April 30,</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Acres</u>	<u>Amount</u>	<u>Acres</u>	<u>Amount</u>
Massachusetts	8,499	\$ 12,550,776	8,499	\$ 12,550,776
New Hampshire	12,347	8,101,127	12,347	8,101,127
Maine	13,268	7,009,876	12,413	6,193,533
Vermont	4,373	3,876,020	4,373	3,876,020
Connecticut	883	1,401,900	883	1,401,900
	<u>39,370</u>	<u>\$ 32,939,699</u>	<u>38,515</u>	<u>\$ 32,123,356</u>

At April 30, 2023 and 2022, foundation forests are shown net of accumulated impairments of \$1,486,117 for each respective year.

The following table presents the foundation forests activities:

	<u>Acres</u>	<u>Amount</u>
Total foundation forests at April 30, 2021	<u>38,351</u>	<u>\$ 31,179,147</u>
Purchase/Donation of foundation forests		
<i>Boone Land</i>	78	\$ 97,000
<i>Caper Hill</i>	89	900,000
Sale of foundation forests		
<i>Willett Pond</i>	<u>(3)</u>	<u>(52,791)</u>
Total foundation forests at April 30, 2022	38,515	\$ 32,123,356
Donation of foundation forests		
<i>Longroad Energy Forest</i>	<u>855</u>	<u>\$ 816,343</u>
Total foundation forests at April 30, 2023	<u>39,370</u>	<u>\$ 32,939,699</u>

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 14 - Line of Credit

The Foundation maintains a demand bank line of credit totaling \$150,000 under which the Foundation may borrow on an unsecured basis at the bank's prime rate less 0.25% (8.25% at April 30, 2023). There were no amounts outstanding under this line of credit at April 30, 2023 and 2022. The credit agreement is available in perpetuity until the bank calls it.

Note 15 - Note Payable

Note payable at April 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Note payable to a private third party used to acquire 285 acres of foundations forests, with interest at 2.55%, payable in annual payments of principal and interest of \$15,000 through April 2028 and was secured by a statutory mortgage on the land. Additional principal payments made during year ended April 30, 2022 in the amount of \$54,504. The note was paid in full during the year ended April 30, 2023.	\$ <u> -</u>	\$ <u> 26,917</u>
	\$ <u> -</u>	\$ <u> 26,917</u>

Note 16 - Gain on Extinguishment of Debt

The Foundation was granted a second \$349,600 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner in January 2021. The loan was uncollateralized and was fully guaranteed by the Federal government. The Foundation was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Foundation recognized \$124,153 as grant revenue for the year ended April 30, 2021, and the remaining amount of \$225,447 as grant revenue for the year ended April 30, 2022. In November 2021, the Foundation was notified by the lender that full forgiveness was granted by the SBA and the Foundation was legally released from all obligation of the loan.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 17 - Charitable Annuities Payable

An \$80,000 annuity for land acquired through a bargain purchase is noninterest bearing. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 5%, which was the Foundation's long-term borrowing rate in December 2016.

A \$50,549 annuity for a stock donation is noninterest bearing. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 5%, which was the Foundation's long-term borrowing rate in November 2018.

A \$25,000 annuity for a cash donation is noninterest bearing. However, to reflect the time value of money, the liability recorded in the financial statements reflects future payments discounted at an imputed interest rate of 5%, which was the Foundation's long-term borrowing rate in December 2021.

Charitable annuities payable at April 30, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Charitable annuities payable	\$ 107,455	\$ 117,399
Less: Unamortized discount	<u>50,603</u>	<u>53,610</u>
	<u>\$ 56,852</u>	<u>\$ 63,789</u>

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 18 - Net Assets with Donor Restrictions

At April 30, 2023 and 2022, net assets with donor restrictions were available for the following purposes:

	<u>2023</u>	<u>2022</u>
Subject to expenditure over time:	\$ <u>66,667</u>	\$ <u>64,412</u>
Subject to expenditure for specified purpose:		
Foundation forests	4,081,602	4,081,602
Conservation easement monitoring	1,860,791	1,847,130
Education projects	797,534	1,418,778
Warren property	506,189	506,534
Capital campaign	236,031	391,749
Outreach and coalition building	211,355	170,958
Science	50,197	226,128
Land purchases and maintenance	42,309	145,877
Communications	-	17,488
Planned giving research	5,701	-
Total subject to expenditure for specified purpose	<u>7,791,709</u>	<u>8,806,244</u>
Endowments:		
Restricted by donor:		
Groton Place and Weld	526,653	541,930
Unrealized appreciation on donor restricted investments	274,110	278,942
Investments in perpetuity, the income from which is expendable to support operations after donor restricted costs are funded	<u>99,442</u>	<u>99,442</u>
Total endowments	<u>900,205</u>	<u>920,314</u>
Total net assets with donor restrictions	\$ <u><u>8,758,581</u></u>	\$ <u><u>9,790,970</u></u>

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 18 - Net Assets with Donor Restrictions (Continued)

Certain donor restricted assets were released from restriction during the years ended April 30, 2023 and 2022 by satisfaction of the restricted purpose specified by the donor, and were reclassified as net assets without restrictions as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Education projects	\$ 382,613	\$ 437,874
Outreach and coalition building	398,440	387,355
Land purchases and maintenance	160,183	151,387
Time restricted	-	62,692
Science	250,934	59,702
Conservation easement monitoring	37,586	37,874
Planned giving research	38,859	31,745
Communications	157,005	22,506
Capital campaign	155,718	704
Warren property	345	367
Conservation easement purchases	-	295
Policy	11,305	-
	<u>1,592,988</u>	<u>1,192,501</u>
Distributions (proceeds not restricted by donors):		
Groton Place and Weld	<u>10,946</u>	<u>10,760</u>
Total released from restriction	\$ <u>1,603,934</u>	\$ <u>1,203,261</u>

Note 19 - Endowment Funds

The Foundation's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of April 30, 2023 and 2022, the Board of Directors had designated \$22,766 and \$24,267, respectively, of net assets without restrictions to support the acquisition, conservation, monitoring, and defense of the Foundation's easements and forests.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 19 - Endowment Funds (Continued)

Endowment - Endowment net asset composition, excluding foundation forests, by type of fund and changes in endowment net assets were as follows:

	April 30, 2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 24,267	\$ 920,314	\$ 944,581
Investment return, net	-	(9,163)	(9,163)
Appropriation of endowment assets pursuant to spending-rate policy	-	(10,946)	(10,946)
Other changes:			
Distribution from board-designated endowment pursuant to distribution policy	<u>(1,501)</u>	<u>-</u>	<u>(1,501)</u>
Endowment net assets, end of year	<u>\$ 22,766</u>	<u>\$ 900,205</u>	<u>\$ 922,971</u>
	April 30, 2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 32,161	\$ 1,019,477	\$ 1,051,638
Investment return, net	-	(88,403)	(88,403)
Appropriation of endowment assets pursuant to spending-rate policy	-	(10,760)	(10,760)
Other changes:			
Distribution from board-designated endowment pursuant to distribution policy	<u>(7,894)</u>	<u>-</u>	<u>(7,894)</u>
Endowment net assets, end of year	<u>\$ 24,267</u>	<u>\$ 920,314</u>	<u>\$ 944,581</u>

Endowment Investment and Spending Policies - The Board of Directors of the Foundation has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act (MA UPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with restrictions (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) accumulations to the endowment held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MA UPMIFA. In accordance with MA UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 19 - Endowment Funds (Continued)

Endowment Investment and Spending Policies (Continued) - The Foundation has adopted investment and spending policies, approved by the Board of Directors, for Board-designated and endowment assets that support the acquisition, conservation, monitoring and defense of the Foundation's easements and forests. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. To satisfy its long-term rate-of-return objectives, the Foundation 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).

The Foundation targets a diversified asset allocation that places an emphasis on U.S. Treasury securities, corporate and federal bonds, and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy defines the amount to be distributed from the fund to support the acquisition, conservation, monitoring, and defense of the Foundation's easements and forests. The current spending policy is to distribute an amount each year of 3% of its endowment fund's market value. Accordingly, the Foundation expects its endowment assets, over time, to grow in line with the Foundation's objectives.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At April 30, 2023 and 2022 there were no underwater endowments.

Note 20 - In-Kind Contributions

Donated land, goods, and services for the fiscal years ended April 30, 2023 and 2022, included in the financial statements, were as follows:

	<u>April 30, 2023</u>			
	<u>Easement Acquisition and Monitoring</u>	<u>Land Conservation</u>	<u>Education</u>	<u>Total</u>
Third party services	\$ 200	\$ -	\$ -	\$ 200
Publication and communication	1,416	702	974	3,092
Land	-	816,343	-	816,343
	<u>\$ 1,616</u>	<u>\$ 817,045</u>	<u>\$ 974</u>	<u>\$ 819,635</u>

	<u>April 30, 2022</u>			
	<u>Easement Acquisition and Monitoring</u>	<u>Land Conservation</u>	<u>Education</u>	<u>Total</u>
Third party services	\$ 450	\$ -	\$ -	\$ 450
Publication and communication	1,292	640	888	2,820
Land	-	951,000	-	951,000
	<u>\$ 1,742</u>	<u>\$ 951,640</u>	<u>\$ 888</u>	<u>\$ 954,270</u>

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 20 - In-Kind Contributions (Continued)

Third party services are recorded in the financial statements at the estimated fair value provided by the service provider, who estimates the fair value based on the timing of the service provided and the market in which the service is provided.

Publication and communication donations consist of printing goods and are recorded in the financial statements at the amount provided on the donor invoice.

Land donations are recorded in the financial statements at the estimated fair value provided by third party appraisals at the time of donation.

Note 21 - Retirement Plan

The Foundation sponsors a retirement plan pursuant to Section 401(k) of the Internal Revenue Code. Under the plan, eligible employees may defer a portion of their compensation on a pre-tax basis. The Foundation matches employee contributions up to 50% of the first 6% deferred. The Foundation made matching contributions of \$43,958 and \$42,266 for the years ended April 30, 2023 and 2022, respectively.

While the Foundation expects to continue the plan indefinitely, it has reserved the right to modify, amend or terminate the plan. In the event of termination, the entire amount contributed under the plan must be applied to the payment of benefits to the participants or their beneficiaries.

Note 22 - Agency Fund Agreements

In 2000 an agency fund was established at the Maine Community Foundation (MCF) through contributions designated to provide current income and long-term protection for the stewardship, monitoring, and enforcement of the Foundation's conservation easements. Under the terms of the agreement, the Foundation receives annual distributions equal to a percentage of the market value of the fund's assets, as determined by the MCF's spending policy for the fund. In accordance with accounting principles generally accepted in the United States of America, the Foundation has determined that it does not have variance power over the assets of the fund and, accordingly, it does not recognize them as assets of the Foundation. MCF investments designated for the Foundation's easement programs were valued at \$1,216,202 and \$1,325,991 at April 30, 2023 and 2022, respectively.

In 2007 an agency fund was established at the MCF through contributions designated to provide current income and long-term protection for the stewardship, monitoring, and enforcement of the Foundation's Sabbath day Lake Shaker Village, Forest and Farm conservation easement. Under the terms of the agreement, the Foundation receives annual distributions equal to a percentage of the market value of the fund's assets, as determined by the MCF's spending policy for the fund. In accordance with accounting principles generally accepted in the United States of America, the Foundation has determined that it does not have variance power over the assets of the fund and, accordingly, it does not recognize them as assets of the Foundation. MCF investments designated for the Foundation's easement programs were valued at \$100,082 and \$109,301 at April 30, 2023 and 2022, respectively.

NEW ENGLAND FORESTRY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2023 AND 2022

Note 23 - Split Interest Agreements

In 2008 a charitable lead unitrust was established. Under the terms of the trust, the Foundation received annual distributions equal to 7% of the market value of the trust's assets. Distributions received by the Foundation totaled \$41,615 and \$49,235 for the years ended April 30, 2023 and 2022, respectively. Beginning in calendar year 2009, the distributions were to be restricted for the purpose of protecting land, by purchase or easement, in New Hampshire or Maine. In accordance with accounting principles generally accepted in the United States of America, the Foundation has determined that it does not have variance power over the assets of the fund and, accordingly, it does not recognize them as assets of the Foundation.

The value of the investments in the unitrust was estimated at \$792,700 at April 30, 2022. The value of the unitrust increased \$119,100 during the year ended April 30, 2022. The unitrust terminated in accordance with the terms of the trust during the year ended April 30, 2023.

In 2007 a charitable trust was established with the purpose of supporting the activities and purpose of the Foundation. Under the terms of an agreement with the trust, the Foundation should receive annual distributions of \$5,000. In accordance with accounting principles generally accepted in the United States of America, the Foundation has determined that it does not have variance power over the assets of the trust and, accordingly, it does not recognize them as assets of the Foundation. The assets of the unitrust were estimated at \$2,343,295 and \$2,470,856 at April 30, 2023 and 2022, respectively. The value of the unitrust decreased \$127,561 during the year ended April 30, 2023 and increased \$637,982 during the year ended April 30, 2022.

Note 24 - Consulting Agreement

During the year ended April 30, 2023, the Foundation entered into a consulting agreement with a former board member. Consulting fees incurred under the agreement during the year ended April 30, 2023 totaled approximately \$73,000.