

**WOODWELL CLIMATE RESEARCH CENTER, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2021



**WOODWELL CLIMATE RESEARCH CENTER, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2021 AND 2020**

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## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors  
Woodwell Climate Research Center, Inc.

We have audited the accompanying financial statements of Woodwell Climate Research Center, Inc. (formerly The Woods Hole Research Center, Inc.), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woodwell Climate Research Center, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of research program expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*CalibreCPAGroup, PLLC*

Bethesda, MD  
November 5, 2021

**WOODWELL CLIMATE RESEARCH CENTER, INC.**

**STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2021 AND 2020

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 12,815,090	\$ 9,896,120
U.S. Government contributions receivable	509,507	321,702
Other contributions, grants and contracts receivable	3,776,653	2,591,493
Prepaid expenses and other receivables	289,513	236,420
Total current assets	17,390,763	13,045,735
<b>INVESTMENTS</b>		
Endowment and quasi-endowment investments	8,702,468	7,061,933
Other investments	1,652,021	1,341,773
Total investments	10,354,489	8,403,706
<b>NET PROPERTY AND EQUIPMENT</b>		
	4,794,283	5,067,728
<b>OTHER ASSETS</b>		
Other contributions receivable, net of current portion	2,256,617	262,413
Beneficial interest in real estate trust assets	212,651	212,651
Bond proceeds held in trust for debt retirement	11,680	12,678
Total other assets	2,480,948	487,742
Total assets	\$ 35,020,483	\$ 27,004,911
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 434,329	\$ 255,090
Accrued expenses	648,799	563,938
Refundable advances	2,662	9,687
Deferred contract revenue	681,663	318,493
Liability under charitable gift annuities	9,183	8,164
Loans payable	114,192	114,192
Total current liabilities	1,890,828	1,269,564
<b>LONG-TERM LIABILITIES</b>		
Liability under charitable gift annuities, net of current portion	95,256	101,218
Loans payable, net of current portion	1,036,090	2,358,381
Total liabilities	3,022,174	3,729,163
<b>NET ASSETS</b>		
Without donor restrictions		
Operating	5,103,675	3,765,413
Board designated for endowment	2,219,261	1,802,488
Board designated for Fund for Climate Solutions	500,000	500,000
Net investment in property and equipment	3,655,681	3,814,758
Total net assets without donor restrictions	11,478,617	9,882,659
With donor restrictions		
Temporary restrictions	16,740,213	9,618,810
Perpetual restrictions	3,779,479	3,774,279
Total net assets with donor restrictions	20,519,692	13,393,089
Total net assets	31,998,309	23,275,748
Total liabilities and net assets	\$ 35,020,483	\$ 27,004,911

See accompanying notes to financial statements.

**WOODWELL CLIMATE RESEARCH CENTER, INC.**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED JUNE 30, 2021 AND 2020**

	2021					2020				
	Without Donor Restrictions	With Donor Restrictions			Total	Without Donor Restrictions	With Donor Restrictions			Total
		Temporary	Perpetual	Total			Temporary	Perpetual	Total	
<b>SUPPORT AND REVENUE</b>										
Contributions and grants										
U.S. Government	\$ -	\$ 2,432,362	\$ -	\$ 2,432,362	\$ 2,432,362	\$ -	\$ 2,793,888	\$ -	\$ 2,793,888	\$ 2,793,888
Foundations and other	4,586,675	8,723,968	5,200	8,729,168	13,315,843	3,921,441	6,744,211	75,200	6,819,411	10,740,852
PPP loan forgiveness	1,206,925	-	-	-	1,206,925	-	-	-	-	-
Contract revenue	1,705,543	-	-	-	1,705,543	1,558,711	-	-	-	1,558,711
Investment income	751,581	1,219,108	-	1,219,108	1,970,689	181,192	300,945	-	300,945	482,137
Donated equipment	145,869	-	-	-	145,869	160,274	-	-	-	160,274
Change in value of split-interest agreements	(5,063)	-	-	-	(5,063)	(5,387)	-	-	-	(5,387)
Other income	12,825	-	-	-	12,825	22,193	-	-	-	22,193
Net assets released from restrictions	<u>5,254,035</u>	<u>(5,254,035)</u>	<u>-</u>	<u>(5,254,035)</u>	<u>-</u>	<u>4,694,648</u>	<u>(4,694,648)</u>	<u>-</u>	<u>(4,694,648)</u>	<u>-</u>
Total support and revenue	<u>13,658,390</u>	<u>7,121,403</u>	<u>5,200</u>	<u>7,126,603</u>	<u>20,784,993</u>	<u>10,533,072</u>	<u>5,144,396</u>	<u>75,200</u>	<u>5,219,596</u>	<u>15,752,668</u>
<b>EXPENSES</b>										
Research programs	8,087,254	-	-	-	8,087,254	7,398,416	-	-	-	7,398,416
General and administrative	2,942,121	-	-	-	2,942,121	2,430,467	-	-	-	2,430,467
Development and fundraising	<u>1,033,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,033,057</u>	<u>1,399,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,399,317</u>
Total expenses	<u>12,062,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,062,432</u>	<u>11,228,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,228,200</u>
CHANGE IN NET ASSETS	1,595,958	7,121,403	5,200	7,126,603	8,722,561	(695,128)	5,144,396	75,200	5,219,596	4,524,468
<b>NET ASSETS</b>										
Beginning of year	<u>9,882,659</u>	<u>9,618,810</u>	<u>3,774,279</u>	<u>13,393,089</u>	<u>23,275,748</u>	<u>10,577,787</u>	<u>4,474,414</u>	<u>3,699,079</u>	<u>8,173,493</u>	<u>18,751,280</u>
End of year	<u>\$ 11,478,617</u>	<u>\$ 16,740,213</u>	<u>\$ 3,779,479</u>	<u>\$ 20,519,692</u>	<u>\$ 31,998,309</u>	<u>\$ 9,882,659</u>	<u>\$ 9,618,810</u>	<u>\$ 3,774,279</u>	<u>\$ 13,393,089</u>	<u>\$ 23,275,748</u>

See accompanying notes to financial statements.

**WOODWELL CLIMATE RESEARCH CENTER, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			Total
	Research Programs	General and Administrative	Development and Fundraising	
Salaries, wages and benefits	\$ 5,366,421	\$ 2,309,176	\$ 717,986	\$ 8,393,583
Professional fees and other wages	858,397	246,770	147,054	1,252,221
Travel	33,462	223	186	33,871
Materials and supplies	276,892	265,183	64,056	606,131
Equipment	145,869	(4,999)	-	140,870
Communication	121,371	137,087	25,421	283,879
Facilities	3,716	229,352	-	233,068
Depreciation and amortization	-	447,118	-	447,118
Subawards	671,691	-	-	671,691
	<u>7,477,819</u>	<u>3,629,910</u>	<u>954,703</u>	<u>12,062,432</u>
Allocation of common costs	<u>609,435</u>	<u>(687,789)</u>	<u>78,354</u>	<u>-</u>
Total expenses	<u>\$ 8,087,254</u>	<u>\$ 2,942,121</u>	<u>\$ 1,033,057</u>	<u>\$ 12,062,432</u>
	2020			
	Research Programs	General and Administrative	Development and Fundraising	Total
Salaries, wages and benefits	\$ 4,835,653	\$ 2,112,011	\$ 558,748	\$ 7,506,412
Professional fees and other wages	443,461	188,170	460,591	1,092,222
Travel	286,948	32,909	101,988	421,845
Materials and supplies	268,768	249,175	61,687	579,630
Equipment	160,274	-	-	160,274
Communication	225,673	128,109	67,219	421,001
Facilities	7,799	211,166	-	218,965
Depreciation and amortization	-	446,240	-	446,240
Subawards	381,611	-	-	381,611
	<u>6,610,187</u>	<u>3,367,780</u>	<u>1,250,233</u>	<u>11,228,200</u>
Allocation of common costs	<u>788,229</u>	<u>(937,313)</u>	<u>149,084</u>	<u>-</u>
Total expenses	<u>\$ 7,398,416</u>	<u>\$ 2,430,467</u>	<u>\$ 1,399,317</u>	<u>\$ 11,228,200</u>

See accompanying notes to financial statements.

**WOODWELL CLIMATE RESEARCH CENTER, INC.**

**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions and grant payments received		
U.S. Government	\$ 2,237,532	\$ 2,940,173
Foundations and other	9,993,874	9,524,242
Contract payments received	2,206,117	1,048,272
Investment income received	185,814	219,305
Other operating receipts	12,825	22,193
Payments to vendors, suppliers and employees	(11,462,282)	(10,862,426)
Interest payments	(947)	(15,293)
Net cash provided by operating activities	3,172,933	2,876,466
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(3,177,819)	(3,584,904)
Proceeds from sales of investments	3,070,833	3,275,757
Purchases of property and equipment	(27,804)	(9,905)
Net cash used for investing activities	(134,790)	(319,052)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Use of bond proceeds held in trust	998	1,066
Receipt of loan proceeds	-	1,206,925
Repayments of loans payable	(115,365)	(115,331)
Liabilities assumed under charitable gift annuities	-	14,535
Payments to charitable gift annuitants	(10,006)	(6,575)
Endowment contributions received	5,200	75,200
Net cash provided by (used for) financing activities	(119,173)	1,175,820
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,918,970	3,733,234
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	9,896,120	6,162,886
End of year	\$ 12,815,090	\$ 9,896,120

See accompanying notes to financial statements.



# WOODWELL CLIMATE RESEARCH CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Method of Accounting** - The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under this basis, revenue is recognized when earned and expenses are recognized as incurred.

**Financial Statement Presentation** - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, Woodwell Climate Research Center, Inc. (the Center) is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions. The Center also distinguishes between donor restrictions that are temporary and those that are perpetual in nature.

**Cash and Cash Equivalents** - Cash consists of monies held in demand deposit and money market accounts, unless designated for long-term purposes. Cash equivalents are all highly liquid, short-term investments with initial maturities of three months or less when purchased and are stated at cost which approximates market value.

**Promises to Give** - Unconditional promises to give expected to be collected within one year are reported at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. An allowance for uncollectible promises to give is determined by management based upon historical experience, an assessment of the current economic environment, and analysis of subsequent events. As of June 30, 2021 and 2020, all promises to give were considered fully collectible and therefore no allowance for uncollectible amounts was necessary.

**Investments** - Investments consist of amounts held in money market accounts and short-term investment funds and amounts invested in fixed income, equities, and mutual/exchange-traded funds, which are carried at fair value, generally as determined by published market prices. Income earned is derived from interest, dividends and changes in fair value. Unrealized gains (losses) resulting from increases (decreases) in fair value of securities held as well as the net realized gains (losses) arising from sales of securities are included in investment income. The Center's investments are pooled, and the allocation of income is tracked on a unitized basis. The Center distributes a proportional amount of investment income based on a total return policy.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Property and Equipment** - Property and equipment are recorded at cost. Property and equipment with a cost of \$3,000 or greater and having an expected useful life of two years or longer are capitalized. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or, where applicable, the terms of the respective capitalized lease agreements, whichever are shorter. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in income.

**Revenue Recognition** - Revenue is derived from both exchange transactions and contribution transactions. Revenue from exchange transactions is recognized when control of promised services is transferred to customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. Exchange transactions generally relate to contracts for which the related services are considered transferred over time as costs are incurred. Payments are generally required in advance and are reported as deferred contract revenue until the related revenue is recognized. Unconditional contributions are recognized upon receipt of cash or other assets, or when a donor promises to transfer cash or other assets in the future. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been substantially met.

*Contributions* - Contributions received are reported as increases in net assets without donor restrictions unless received with donor stipulations that require the assets be used for specific purposes or in specific time periods. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

*Grants and Similar Agreements* - Most grant agreements are accounted for as contribution transactions. When an agreement includes both a barrier and either a right of return of assets to the resource provider or a right of release from obligation by the resource provider, the contribution is considered to be conditional. Amounts received under conditional transfers are reported as a liability (refundable advance) and recognized as contribution revenue only when the conditions are met. The Center also derives revenue from cost-reimbursable federal grants, contracts and cooperative agreements, which are conditioned upon certain performance requirements, compliance with federal statutes, and the incurrence of allowable qualifying expenses. Those conditions are considered to have been met and revenue is recognized when the Center has incurred expenditures in compliance with specific grant or contract provisions.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities of the Center have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringe benefits are allocated based on employee time and effort. Common costs such as occupancy, depreciation and the like are allocated pro-rata based on total costs incurred.

## **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

**New Accounting Pronouncement Adopted** - During the year ended June 30, 2021, the Center adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). Topic 606 prescribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized, including performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. It also requires expanded disclosures about the nature, amount and timing of revenues and cash flows. The adoption of Topic 606 did not have a material impact on the Center's financial statements.

## **NOTE 2. ORGANIZATION AND TAX STATUS**

Founded in 1985, the mission of Woodwell Climate Research Center, Inc. (formerly The Woods Hole Research Center, Inc.) is to advance scientific discovery and seek science-based solutions for the world's environmental and economic challenges through research and education.

The Center (a Massachusetts nonprofit corporation) is exempt from Federal and Massachusetts income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 180 of the Code of the Commonwealth of Massachusetts, respectively, as a publicly supported organization. The Center is, however, subject to tax on net profits generated by activities defined as unrelated business activities under applicable tax law. To date, the Center has not engaged in such activities. The Center's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2018 through 2020 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

## **NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES**

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Center invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal. The Center's Board has designated \$1,802,488 to function as an endowment, and the Center generally budgets an annual spending rate up to 4% of total endowment investments. However, in the event of unanticipated liquidity needs, the Center's Board could make available all or a portion of the amount currently designated as endowment. The Center also has the ability to draw upon an available line of credit in the amount of \$350,000.

**NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

The following table represents the Center's financial assets available to meet cash needs for general expenditures within one year of June 30, 2021 and 2020. Since over 50% of the Center's expenditures are generally funded by donor-restricted contributions, the related assets are considered available to meet general expenditures.

	<u>2021</u>	<u>2020</u>
Total assets at end of year	\$ 35,020,483	\$ 27,004,911
Less nonfinancial assets		
Prepaid expenses	(288,969)	(234,982)
Net property and equipment	(4,794,283)	(5,067,728)
Beneficial interest in real estate trust assets	<u>(212,651)</u>	<u>(212,651)</u>
Total financial assets at end of year	29,724,580	21,489,550
Less amounts unavailable for general expenditures		
Amounts held in trust for debt retirement	(52,331)	(49,666)
Contributions receivable due in more than one year	(2,256,617)	(262,413)
Endowment investments	(8,702,468)	(7,061,933)
Add estimated amount available for appropriation	<u>348,000</u>	<u>282,000</u>
Total financial assets available for general expenditures within one year	<u>\$ 19,061,164</u>	<u>\$ 14,397,538</u>

**NOTE 4. CONTRIBUTIONS, GRANTS AND CONTRACTS RECEIVABLE**

Contributions, grants and contracts receivable as of June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Contracts receivable	\$ <u>133,895</u>	\$ <u>271,299</u>
Grants and contributions receivable		
Due in less than one year	4,152,265	2,641,896
Due in one to five years	<u>2,313,716</u>	<u>273,500</u>
	6,465,981	2,915,396
Less discount to net present value	<u>(57,099)</u>	<u>(11,087)</u>
	<u>6,408,882</u>	<u>2,904,309</u>
	<u>\$ 6,542,777</u>	<u>\$ 3,175,608</u>

Grants and contribution receivables due after one year have been discounted to their net present value using a discount rate of 2.5%.

Conditional promises receivable as of June 30, 2021 total \$7,576,155, consisting of unexpended U.S. Government grant awards.

**NOTE 5. CONTRACT BALANCES**

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities associated with revenue from exchange transactions. Contract assets consist entirely of trade accounts receivable, which are recognized only to the extent it is probable that the Center will collect substantially all of the consideration to which it is entitled in exchange for the services that will be or have been transferred. These amounts are included with other contributions, grants and contracts receivable reported in the statements of financial position. Contract liabilities consist entirely of deferred revenue that results when the Center receives advance payments from customers before revenue is recognized. Balances in these accounts as of the beginning and end of the years ended June 30, 2021 and 2020 are as follows:

	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>
Contracts receivable	<u>\$ 133,895</u>	<u>\$ 271,299</u>	<u>\$ 19,228</u>
Deferred contract revenue	<u>\$ 681,663</u>	<u>\$ 318,493</u>	<u>\$ 576,861</u>

**NOTE 6. INVESTMENTS**

Investments consist of amounts held in cash equivalents, equities and fixed income securities. The original cost and fair values of investments are as follows:

	<u>2021</u>	<u>2020</u>
Cost	\$ 7,628,259	\$ 6,962,571
Accumulated unrealized gain	<u>2,706,988</u>	<u>1,421,291</u>
	10,335,247	8,383,862
Accrued interest and dividends	<u>19,242</u>	<u>19,844</u>
	<u>\$ 10,354,489</u>	<u>\$ 8,403,706</u>

Investments are held in endowment, quasi-endowment or other categories as described below.

	<u>2021</u>	<u>2020</u>
Board-designated endowment	\$ 2,219,261	\$ 1,802,488
Unappropriated earnings on permanent endowments	2,703,728	1,485,166
Donor-restricted permanent endowments	<u>3,779,479</u>	<u>3,774,279</u>
	8,702,468	7,061,933
Net other investments	<u>1,652,021</u>	<u>1,341,773</u>
Total investments	<u>\$ 10,354,489</u>	<u>\$ 8,403,706</u>

**NOTE 6. INVESTMENTS (CONTINUED)**

Net investment return consisted of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 185,814	\$ 219,828
Net appreciation	1,843,797	316,060
Less investment fees	<u>(58,922)</u>	<u>(53,751)</u>
	<u>\$ 1,970,689</u>	<u>\$ 482,137</u>

**NOTE 7. FAIR VALUE**

U.S. generally accepted accounting principles related to Fair Value Measurements establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Center would use in pricing the Center's assets or liabilities based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Center are traded.

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities.

Level 2 - Valuation based on quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use in estimating fair value.

All of the Center's financial investments were measured at fair value on a recurring basis as of June 30, 2021 and 2020 using Level 1 inputs, except for investments in fixed-income securities, for which the fair values were measured using Level 2 inputs. The fair values of short-term investment funds, equities, mutual funds and exchange-traded funds were based on quoted market prices as of each June 30. The fair values of fixed-income securities were estimated based on yields and maturities of similar securities. The Center's liability under charitable gift annuities was measured at fair value on a recurring basis as of June 30, 2021 and 2020 using Level 2 inputs, based on market interest rates and estimated life expectancies of the annuitants. There have been no changes to the valuation methodologies used at June 30, 2021 and 2020.

**NOTE 7. FAIR VALUE (CONTINUED)**

Inputs used to determine the fair values of investments measured on a recurring basis at June 30, 2021 and 2020, by investment class, are as follows:

	Total at 06/30/21	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investment funds	\$ 69,077	\$ 69,077	\$ -	\$ -
Equities and ETFs				
Materials	175,472	175,472	-	-
Industrial goods	563,968	563,968	-	-
Consumer discretionary	674,815	674,815	-	-
Consumer staples	333,249	333,249	-	-
Health care	749,572	749,572	-	-
Financial services	660,567	660,567	-	-
Technology	1,525,002	1,525,002	-	-
Telecommunications	452,968	452,968	-	-
Utilities	121,689	121,689	-	-
Real estate	184,123	184,123	-	-
Mutual funds				
Pax International Sustainable Economy Fund	1,037,064	1,037,064	-	-
Fixed income				
Corporate debt securities	2,500,926	-	2,500,926	-
Government securities	1,286,755	-	1,286,755	-
	<u>\$ 10,335,247</u>	<u>\$ 6,547,566</u>	<u>\$ 3,787,681</u>	<u>\$ -</u>

**NOTE 7. FAIR VALUE (CONTINUED)**

	Total at 06/30/20	Quoted Market Price for Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investment funds	\$ 196,996	\$ 196,996	\$ -	\$ -
Equities and ETFs				
Materials	157,528	157,528	-	-
Industrial goods	302,012	302,012	-	-
Consumer discretionary	466,504	466,504	-	-
Consumer staples	317,571	317,571	-	-
Health care	640,209	640,209	-	-
Financial services	438,559	438,559	-	-
Technology	1,266,397	1,266,397	-	-
Telecommunications	348,986	348,986	-	-
Utilities	114,672	114,672	-	-
Real estate	160,931	160,931	-	-
Mutual fund				
iShares Intermediate Bond	388,476	388,476	-	-
Green Century International Index Fund	823,890	823,890	-	-
Fixed income				
Corporate debt securities	2,135,144	-	2,135,144	-
Government securities	625,987	-	625,987	-
	<u>\$ 8,383,862</u>	<u>\$ 5,622,731</u>	<u>\$ 2,761,131</u>	<u>\$ -</u>

**NOTE 8. PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2021 and 2020 consists of the following:

	2021	2020
Land	\$ 517,571	\$ 517,571
Building and improvements	11,107,216	11,111,041
Furniture and equipment	<u>1,856,802</u>	<u>2,047,333</u>
	13,481,589	13,675,945
Less accumulated depreciation and amortization	<u>(8,687,306)</u>	<u>(8,608,217)</u>
Net property and equipment	<u>\$ 4,794,283</u>	<u>\$ 5,067,728</u>



## **NOTE 9. BENEFICIAL INTEREST IN REAL ESTATE TRUST ASSETS**

The Center entered into a joint venture agreement with an unrelated third party through which a small portion of land acquired in connection with the Ordway Campus was contributed by the Center and a similar parcel of land was contributed by the joint venturer. The property was placed in trust, after which the joint venturer gifted his interest in the property to the Center. The carrying value of the Center's interest in the Trust was \$212,651 at both June 30, 2021 and 2020.

## **NOTE 10. LOANS PAYABLE**

**Financing of Headquarters Building** - During the year ended June 30, 2003, the Center completed construction of and placed into service a new headquarters building (the Ordway Campus) in Falmouth, Massachusetts. To finance the construction, the Center raised restricted contributions from the general public, designated a portion of unrestricted net assets to be used for the campaign, and entered into a loan agreement with the Massachusetts Health and Educational Facilities Authority (MHEFA) for a total loan amount of \$2,795,000. That loan agreement was amended during the year ended June 30, 2010, and the Center borrowed an additional \$603,900 from MHEFA to help finance improvements made to an adjacent building (the Carriage House).

The Center obtained a \$2.6 million direct pay letter of credit to provide security for the MHEFA loans, for which it pays an annual fee equal to 2.00% of the total amounts outstanding on the MHEFA loans. The loans require level annual principal payments and interest on the unpaid principal accrues and is payable monthly at a variable rate, 1.14% and 1.90% as of June 30, 2021 and 2020, respectively. The intention is to keep the fair market value of the loan equal to its outstanding principal balance. Substantially all business assets of the Center have been pledged as collateral in connection with the loan agreements. The Center is scheduled to make total remaining principal payments of \$1,150,282 in annual installments of \$114,192 through June 2031. The remaining outstanding principal of \$8,362 will be retired through annual draws against the debt service reserve funds held in trust. Interest expense totaled \$947 and \$15,293 for the years ended June 30, 2021 and 2020, respectively.

**Paycheck Protection Program** - On April 8, 2020, the Center received a Paycheck Protection Program (PPP) loan in the amount of \$1,206,925, made available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Provided the Center complied with applicable provisions of the CARES Act, the PPP loan was eligible to be forgiven in full. The Center initially recorded a note payable and subsequently recognized contribution income related to the debt forgiveness, in accordance with the guidance for recognizing conditional contributions, when the loan was forgiven in full by the U.S. Small Business Administration on May 3, 2021.

**NOTE 10. LOANS PAYABLE (CONTINUED)**

As of June 30, 2021, principal repayments on the MHEFA loan are due by fiscal year as follows:

	<u>MHEFA Loan</u>
Year ending June 30, 2022	\$ 114,192
2023	114,192
2024	114,192
2025	114,192
2026	114,192
Thereafter	<u>579,322</u>
	<u>\$ 1,150,282</u>

**Revolving Line of Credit** - The Center has a revolving demand line of credit agreement in the maximum principal amount of \$350,000, secured by substantially all of the Center's investments. As of June 30, 2021, no amounts had been drawn against the line.

**NOTE 11. NET ASSETS**

The Center has net assets both with and without donor restrictions, as described in more detail below. A summary of the Center's net assets as of June 30, 2021 and 2020 is as follows:

	<u>June 30, 2021</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Temporary</u>	<u>Perpetual</u>	
Endowment funds	\$ 2,219,261	\$ 2,703,728	\$ 3,779,479	\$ 8,702,468
Fund for Climate Solutions	500,000	3,498,746	-	3,998,746
Funds restricted for research and similar purposes	-	10,237,739	-	10,237,739
Time restricted contributions	-	300,000	-	300,000
Net investment in property and equipment	3,655,681	-	-	3,655,681
Operating funds	<u>5,103,675</u>	<u>-</u>	<u>-</u>	<u>5,103,675</u>
	<u>\$ 11,478,617</u>	<u>\$ 16,740,213</u>	<u>\$ 3,779,479</u>	<u>\$ 31,998,309</u>

**NOTE 11. NET ASSETS (CONTINUED)**

	June 30, 2020			Total
	Without Donor	With Donor Restrictions		
	Restrictions	Temporary	Perpetual	
Endowment funds	\$ 1,802,488	\$ 1,485,166	\$ 3,774,279	\$ 7,061,933
Fund for Climate Solutions	500,000	3,407,645	-	3,907,645
Funds restricted for research and similar purposes	-	4,725,999	-	4,725,999
Net investment in property and equipment	3,814,758	-	-	3,814,758
Operating funds	3,765,413	-	-	3,765,413
	<u>\$ 9,882,659</u>	<u>\$ 9,618,810</u>	<u>\$ 3,774,279</u>	<u>\$ 23,275,748</u>

**Net Assets without Donor Restrictions** - Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. All expenses are reported as decreases in net assets without donor restrictions.

Board Designated Funds

The Center's Board of Directors has designated a portion of net assets without donor restrictions to function as endowment and a portion to support expenditures from the Fund for Climate Solutions, for which the Center has also raised donor-restricted support. The objective of the Fund for Climate Solutions is to provide a financial bridge to a sustainable funding model while supporting mission-critical programs over a 10-year period as the Center adapts to anticipated changes in the availability of Federal government funding for its programs.

Net Investment in Property and Equipment

The Center has net assets without donor restrictions which are invested in property and equipment owned by the Center. The net investment in property and equipment consists of:

	2021	2020
Net property and equipment	\$ 4,794,283	\$ 5,067,728
Bond proceeds held in trust for debt retirement	11,680	12,678
Loans payable - current portion	(114,192)	(114,192)
Loans payable - long-term portion	(1,036,090)	(1,151,456)
	<u>\$ 3,655,681</u>	<u>\$ 3,814,758</u>

**Net Assets with Temporary Donor Restrictions** - Net assets with temporary donor restrictions as of June 30, 2021 and 2020 consist principally of research grants from private foundations and contributions for long-term purposes. Net assets with temporary donor restrictions result from

**NOTE 11. NET ASSETS (CONTINUED)**

gifts of cash or other assets with donor-imposed restrictions that require that such resources be used in a later period or after a specified date or that the resources be used for a specified purpose. The net assets will be released when spent for the appropriate purpose or upon expiration of a time restriction, in compliance with donor restrictions. Net assets with temporary donor restrictions as of June 30, 2021 and 2020 were subject to restriction as follows:

	<u>2021</u>	<u>2020</u>
Research grants from foundations and others	\$ 10,237,739	\$ 4,725,999
Fund for Climate Solutions	3,498,746	3,407,645
Time-restricted contributions	300,000	-
Unappropriated earnings on permanent endowments	<u>2,703,728</u>	<u>1,485,166</u>
	<u>\$ 16,740,213</u>	<u>\$ 9,618,810</u>

The following are the net assets released from donor-imposed restrictions during the years ended June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Research grants		
U.S. Government	\$ 2,432,362	\$ 2,793,888
Foundations and International	1,811,973	1,147,848
Fund for Climate Solutions	1,009,700	551,033
Appropriated earnings on permanent endowments	<u>-</u>	<u>201,879</u>
	<u>\$ 5,254,035</u>	<u>\$ 4,694,648</u>

**Net Assets with Perpetual Donor Restrictions** - The Center has received several contributions establishing permanent endowments. During 2002, the Center received a total of \$2.5 million from a single contributor that provides for a \$2 million endowment to fund the Sara Shallenberger Brown Chair of Environmental Policy. The primary focus of the Chair is to connect science, conservation, and human affairs nationally and internationally and to incorporate the findings of science into the decisions of governments. The remaining \$500,000 is to support the Center's general endowment, the earnings on which are available for general support. The Center has also received contributions to fund the George Woodwell Chair of Conservation and other smaller endowments. The Center may appropriate annually for operating purposes earnings on general endowment investments related to these gifts.

## NOTE 11. NET ASSETS (CONTINUED)

Total net assets with perpetual donor restrictions are as follows at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Sara Shallenberger Brown Chair and Endowment	\$ 2,500,000	\$ 2,500,000
George Woodwell Chair of Conservation	1,034,379	1,034,379
General support	<u>245,100</u>	<u>239,900</u>
	<u>\$ 3,779,479</u>	<u>\$ 3,774,279</u>

### *Interpretation of Relevant Law*

The Center is subject to the Massachusetts Prudent Management of Institutional Funds Act (MPFIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions. The original donor gifts are reported as net assets with perpetual donor restrictions as none of the donor-restricted endowments are currently underwater. These endowment funds are invested in a pool with all other investments of the Center. The returns on the endowment fund investments have been reported as increases in net assets with donor restrictions in the statements of activities. Unexpended earnings on these endowments are reported as net assets with temporary donor restrictions until appropriated for expenditure by the Center.

### *Return Objectives and Risk Parameters*

The Center has adopted an asset allocation policy, monitored through its Investment Policy, that is a moderate balance of equities, fixed income and cash with a target of 60-70% equities and 30-40% fixed income. These change slightly as risk is monitored and the fund manager is given a target and 5% latitude for market impact and manager decisions. The equity investment style is an “All Cap Strategy” which is benchmarked to the S&P 1500. Equity performance, if applicable, is measured against the benchmark index over market cycle (typically 3-5 years). The equity portion of the portfolio uses a growth-at-a-reasonable-price discipline. The fixed income allocation may hold taxable government agency bonds and socially screened corporate bonds. Fixed income performance is benchmarked to the Barclay’s Gov/Credit Interim Bond Index. Allocation percentages are meant to be soft guidelines rather than absolute portfolio mandates as described above. Investment goals are primarily capital appreciation and secondarily income generation at this time.

### *Spending Policies of the Endowments*

**Sara Shallenberger Brown Chair and Endowment** - The donor requested that the investment income generated by the Chair and the endowment each year be used for general operations. For the years ended June 30, 2021 and 2020, the Board of Directors appropriated for expenditure \$-0- and \$134,220, respectively, of accumulated earnings.

## NOTE 11. NET ASSETS (CONTINUED)

**George Woodwell Chair of Conservation** - The donors requested that the investment income generated by the Chair each year be used for general operations once the Chair reached a certain monetary level. For the years ended June 30, 2021 and 2020, the Board of Directors appropriated for expenditure \$-0- and \$55,367, respectively.

**General Support Endowments** - Investment income or loss are reported as changes in net assets with temporary donor restrictions until appropriated by the Board of Directors. For the years ended June 30, 2021 and 2020, the Board of Directors appropriated for expenditure \$-0- and \$12,292, respectively.

### Change in Endowment Net Assets

The following table represents the changes in endowment net assets for the years ended June 30, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary	Perpetual	
Endowment net assets, June 30, 2019	\$ 1,802,488	\$ 1,388,343	\$ 3,699,079	\$ 6,889,910
Contributions/designations	-	-	75,200	75,200
Investment income	63,309	298,702	-	362,011
Appropriations	<u>(63,309)</u>	<u>(201,879)</u>	<u>-</u>	<u>(265,188)</u>
Endowment net assets, June 30, 2020	1,802,488	1,485,166	3,774,279	7,061,933
Contributions/designations	-	-	5,200	5,200
Investment income	416,773	1,218,562	-	1,635,335
Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2021	<u>\$ 2,219,261</u>	<u>\$ 2,703,728</u>	<u>\$ 3,779,479</u>	<u>\$ 8,702,468</u>

## NOTE 12. PENSION PLAN

The Center has a contributory defined contribution pension plan covering substantially all full-time employees. Plan contributions are made on behalf of eligible employees through individual annuities with the Teachers Insurance and Annuity Association and College Retirement Equities Fund. The contributions are made on a semi-monthly basis at 10% of eligible compensation. Pension expense for the years ended June 30, 2021 and 2020 was \$533,154 and \$469,320, respectively.

### NOTE 13. OPERATING LEASES

The Center leases certain office equipment under operating leases expiring through 2025. Rental expense for office equipment for the years ended June 30, 2021 and 2020 totaled approximately \$11,300 and \$10,900, respectively. Future minimum lease payments by fiscal year are due as follows:

Year ending June 30,	2022	\$	8,090
	2023		8,090
	2024		8,090
	2025		<u>2,583</u>
Total		\$	<u>26,853</u>

### NOTE 14. SIGNIFICANT CONCENTRATIONS

**Cash Balances** - The Center maintains its operating cash at three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. As of June 30, 2021, the Center's cash balances in excess of FDIC insurance coverage totaled approximately \$12.35 million. Included in other assets as bond proceeds held for debt retirement was an amount of \$11,680 which is not federally insured.

**Major Contributors** - The Center receives revenue from U.S. Government funded grants and cooperative agreements, all of which are subject to audit by government agencies. The ultimate determination of amounts received is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amounts received in excess of allowed costs.

During the years ended June 30, 2021 and 2020, approximately 18% and 26%, respectively, of the Center's total support and revenue that increased net assets without donor restrictions was provided through grants and similar agreements with the U.S. Government.

### NOTE 15. SIGNIFICANT UNCERTAINTIES

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of the pandemic on the Center's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Center's donors, employees and vendors, all of which, at present, cannot be determined. Accordingly, the extent to which the pandemic may impact the Center's financial position, changes in net assets, and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**NOTE 16. SUBSEQUENT EVENTS**

All subsequent events have been evaluated through November 5, 2021, which is the date the financial statements were available to be issued and revealed no transactions or events requiring adjustment to or disclosure in the accompanying financial statements.



## **SUPPLEMENTAL INFORMATION**

**WOODWELL CLIMATE RESEARCH CENTER, INC.**

**SCHEDULES OF RESEARCH PROGRAM EXPENSES**

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			
	Center Funded Science	Policy Engagement, Education and Communication	Policy Relevant Research	Total
Salaries, wages and benefits	\$ 1,290,528	\$ 1,066,263	\$ 3,009,630	\$ 5,366,421
Professional fees and other wages	63,882	386,302	408,213	858,397
Travel	857	135	32,470	33,462
Materials and supplies	20,789	35,484	220,619	276,892
Equipment	-	55,443	90,426	145,869
Communication	20,946	36,915	63,510	121,371
Facilities	3,716	-	-	3,716
Depreciation and amortization	-	-	-	-
Subawards	23,265	97,523	550,903	671,691
	<u>1,423,983</u>	<u>1,678,065</u>	<u>4,375,771</u>	<u>7,477,819</u>
Allocation of common costs	<u>116,869</u>	<u>137,722</u>	<u>354,844</u>	<u>609,435</u>
	<u>\$ 1,540,852</u>	<u>\$ 1,815,787</u>	<u>\$ 4,730,615</u>	<u>\$ 8,087,254</u>
	2020			
	Center Funded Science	Policy Engagement, Education and Communication	Policy Relevant Research	Total
Salaries, wages and benefits	\$ 533,485	\$ 1,122,535	\$ 3,179,633	\$ 4,835,653
Professional fees and other wages	16,547	241,266	185,648	443,461
Travel	5,800	65,470	215,678	286,948
Materials and supplies	35,571	48,021	185,176	268,768
Equipment	-	-	160,274	160,274
Communication	12,415	149,157	64,101	225,673
Facilities	3,885	-	3,914	7,799
Depreciation and amortization	-	-	-	-
Subawards	-	12,636	368,975	381,611
	<u>607,703</u>	<u>1,639,085</u>	<u>4,363,399</u>	<u>6,610,187</u>
Allocation of common costs	<u>72,465</u>	<u>195,452</u>	<u>520,312</u>	<u>788,229</u>
	<u>\$ 680,168</u>	<u>\$ 1,834,537</u>	<u>\$ 4,883,711</u>	<u>\$ 7,398,416</u>