

AUDITED FINANCIAL STATEMENTS

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Amherst, Massachusetts

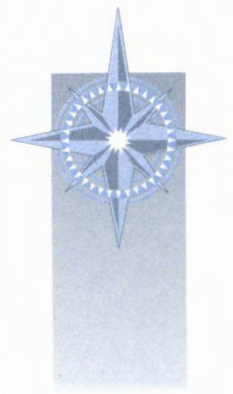
JUNE 30, 2023

Boisselle, Morton & Wolkowicz, LLP
Certified Public Accountants

Hitchcock Center for the Environment, Inc.

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Independent Auditors' Report

To the Board of Directors
Hitchcock Center for the Environment, Inc.
Amherst, Massachusetts

Opinion

We have audited the accompanying financial statements of Hitchcock Center for the Environment, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Hitchcock Center for the Environment, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hitchcock Center for the Environment, 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 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.

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 Hitchcock Center for the Environment, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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, including omissions, 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 Hitchcock Center for the Environment, 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 Hitchcock Center for the Environment, 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.

Board of Directors
Hitchcock Center for the Environment, Inc.
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Report on Summarized Comparative Information

We have previously audited Hitchcock Center for the Environment, Inc.'s June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boisselle, Morton & Wolkowicz, LLP

Hadley, Massachusetts
November 9, 2023

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Statement of Financial Position

June 30, 2023 (with comparative totals for June 30, 2022)

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 346,106	\$ 366,048
Pledges receivable, current portion	74,277	92,729
Grants receivable	94,392	44,655
Accounts receivable	10,775	20,675
Prepaid expenses	<u>5,706</u>	<u>5,902</u>
Total current assets	531,256	530,009
Cash equivalents, endowments	29,523	29,523
Pledges receivable, net of current portion	90,794	124,432
Investments, Hitchcock Endowment	1,286,803	1,305,397
Property and equipment, net	<u>4,907,075</u>	<u>5,050,341</u>
Total assets	<u>\$ 6,845,451</u>	<u>\$ 7,039,702</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 6,431	\$ 4,655
Accrued expense	20,958	11,324
Deferred revenue	140,293	98,158
Note payable, current portion	<u>91,304</u>	<u>96,377</u>
Total current liabilities	258,986	210,514
Note payable, net of current portion	<u>68,437</u>	<u>154,669</u>
Total liabilities	<u>327,423</u>	<u>365,183</u>
Net assets		
Without donor restrictions		
Property and equipment net of note payable	4,747,334	4,799,295
Available for operations	<u>306,026</u>	<u>281,953</u>
Total without donor restrictions	5,053,360	5,081,248
With donor restrictions	<u>1,464,668</u>	<u>1,593,271</u>
Total net assets	<u>6,518,028</u>	<u>6,674,519</u>
Total liabilities and net assets	<u>\$ 6,845,451</u>	<u>\$ 7,039,702</u>

The accompanying notes are an integral part of these financial statements.

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Statement of Activities

Year Ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains and other support				
Grants	\$ 266,170		\$ 266,170	\$ 163,200
Program fees	347,040		347,040	327,087
Contributions	330,820	\$ 13,580	344,400	238,899
Investment income, net	974	50,687	51,661	19,628
Fundraising events, net	35,885		35,885	8,622
Other income	23,946		23,946	18,521
In-kind donations	375		375	987
Net assets released from restrictions	165,977	(165,977)		
Total revenues, gains and other support	<u>1,171,187</u>	<u>(101,710)</u>	<u>1,069,477</u>	<u>776,944</u>
Expenses and losses				
Programs	824,591		824,591	761,316
Management & general	139,715		139,715	134,701
Development	234,769		234,769	227,703
Total expenses	<u>1,199,075</u>		<u>1,199,075</u>	<u>1,123,720</u>
Unrealized loss on investments		26,893	26,893	70,834
Total expenses and losses	<u>1,199,075</u>	<u>26,893</u>	<u>1,225,968</u>	<u>1,194,554</u>
Change in net assets	(27,888)	(128,603)	(156,491)	(417,610)
Net assets - beginning of year	<u>5,081,248</u>	<u>1,593,271</u>	<u>6,674,519</u>	<u>7,092,129</u>
Net assets - end of year	<u>\$ 5,053,360</u>	<u>\$ 1,464,668</u>	<u>\$ 6,518,028</u>	<u>\$ 6,674,519</u>

The accompanying notes are an integral part of these financial statements.

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Statement of Functional Expenses

Year Ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	2023							2022
	Programs							Total
	Adult	School	Children & Family	Total Programs	Management & General	Development	Total	Total
Employee and consultant expenses								
Compensation	\$ 6,048	\$ 152,304	\$ 327,792	\$ 486,144	\$ 70,987	\$ 167,996	\$ 725,127	\$ 629,034
Payroll taxes and employee benefits	1,040	19,837	42,536	63,413	17,581	21,978	102,972	83,464
Consultants	7,597	8,957	8,142	24,696	2,100	2,871	29,667	68,907
Total employee and consultant expenses	<u>14,685</u>	<u>181,098</u>	<u>378,470</u>	<u>574,253</u>	<u>90,668</u>	<u>192,845</u>	<u>857,766</u>	<u>781,405</u>
Occupancy								
Building repairs and maintenance	402	9,814	23,971	34,187	6,478	6,418	47,083	48,300
Insurance	180	4,402	10,751	15,333	5,371	3,982	24,686	21,886
Utilities	42	1,045	2,552	3,639	877	869	5,385	4,992
Rent	10	233	569	812	196	194	1,202	1,167
Total occupancy	<u>634</u>	<u>15,494</u>	<u>37,843</u>	<u>53,971</u>	<u>12,922</u>	<u>11,463</u>	<u>78,356</u>	<u>76,345</u>
Bank and investment fees	148	5,210	12,725	18,083	4,436	12,116	34,635	21,352
Office and program supplies	1,236	4,725	10,313	16,274	1,245	1,331	18,850	50,568
Interest					13,251		13,251	9,272
Travel	1	7,406	4,818	12,225			12,225	5,301
Accounting					7,000		7,000	6,200
Printing	281	461	367	1,109	50	5,426	6,585	7,259
Professional development	5	104	1,626	1,735	3,826		5,561	4,097
Equipment rental and maintenance	18	1,251	1,019	2,288	140	2,872	5,300	272
Postage	19	218	843	1,080	132	2,870	4,082	3,240
Telephone and internet	32	788	1,924	2,744	661	655	4,060	3,868
Subscriptions and dues	15	438	2,355	2,808	329	595	3,732	4,089
Advertising	3	72	189	264	60	82	406	285
Subtotal	<u>1,758</u>	<u>20,673</u>	<u>36,179</u>	<u>58,610</u>	<u>31,130</u>	<u>25,947</u>	<u>115,687</u>	<u>115,803</u>
Total expenses before depreciation	17,077	217,265	452,492	686,834	134,720	230,255	1,051,809	973,553
Depreciation	<u>2,616</u>	<u>38,548</u>	<u>96,593</u>	<u>137,757</u>	<u>4,995</u>	<u>4,514</u>	<u>147,266</u>	<u>150,167</u>
Total expenses	<u>\$ 19,693</u>	<u>\$ 255,813</u>	<u>\$ 549,085</u>	<u>\$ 824,591</u>	<u>\$ 139,715</u>	<u>\$ 234,769</u>	<u>\$ 1,199,075</u>	<u>\$ 1,123,720</u>

The accompanying notes are an integral part of these financial statements.

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Statement of Cash Flows

Year Ended June 30, 2023

(with comparative totals for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (156,491)	\$ (417,610)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	147,266	150,167
PPP loan forgiveness		(109,700)
Unrealized loss on investments	26,893	70,834
Net realized (gains) losses on sale of investments	(11,021)	6,385
Other changes in assets and liabilities		
Pledges receivable, net	52,090	82,610
Grants receivable	(49,737)	(15)
Accounts receivable	9,900	(19,718)
Prepaid expenses	196	(1,901)
Accounts payable	1,776	(6,895)
Accrued expense	9,634	4,915
Deferred revenue	42,135	(16,600)
Net cash provided (used) by operating activities	<u>72,641</u>	<u>(257,528)</u>
Cash flows from investing activities		
Purchases of property and equipment	(4,000)	(11,741)
Purchases of investments	(112,957)	(151,211)
Proceeds from sale of investments	115,679	157,366
Net cash used by investing activities	<u>(1,278)</u>	<u>(5,586)</u>
Cash flows from financing activities		
Payments on note payable	<u>(91,305)</u>	<u>(91,345)</u>
Net cash used by financing activities	<u>(91,305)</u>	<u>(91,345)</u>
Net decrease in cash and cash equivalents	(19,942)	(354,459)
Cash and cash equivalents - beginning of year	<u>366,048</u>	<u>720,507</u>
Cash and cash equivalents - end of year	\$ <u><u>346,106</u></u>	\$ <u><u>366,048</u></u>
Supplemental disclosure		
Cash paid for interest	\$ <u><u>13,251</u></u>	\$ <u><u>9,272</u></u>

The accompanying notes are an integral part of these financial statements.

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Notes to Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies

Mission: Hitchcock Center for the Environment, Inc. (HCE) is an independent nonprofit organization, founded in 1962, whose mission is to educate and inspire action for a healthy planet. HCE's hands-on, interdisciplinary programs give people sound scientific information, critical thinking skills, creative and strategic problem-solving abilities, and inspiration to make change.

Programs: Serving children, youth and adults from rural and urban communities throughout western Massachusetts, and increasingly beyond, the HCE's programs use the best practices of environmental education. Programs are designed to use the study of science and nature, its models, systems, processes, and elements, to serve as a catalyst for change, inspiring and engaging every generation in the community to pursue a more ecologically sustainable future.

Annual Facts & Figures: Here are some examples of our impact on the more than 10,000 people we reach each year in western Massachusetts and beyond:

- Springfield Public Schools – More than 300 third-grade students and teachers in 23 classrooms at 8 elementary schools participated in our Schools Exploring Engineering, Design, and Sustainability (SEEDS) program in partnership with the Springfield Public Schools. This program will reach all third-grade teachers over 3 years with a combination of professional development, resource kits, classroom activities, and field trips to the Hitchcock Center.
- Holyoke YMCA – Youth from ages 3-13 worked with Hitchcock Center educators to learn through experiences with living creatures in Holyoke, work on problem solving and design challenges, and see sustainable engineering concepts implemented in the real world at the Hitchcock Center. A project on “where is water in Holyoke” focused on investigation and systems thinking, and students’ work is showcased in an exhibit displayed at the YMCA, and now at the Hitchcock Center.
- Air Quality, Climate Change, and Health – Through collaboration with the Public Health Institute of Western Mass and multiple community partners in Springfield and Holyoke, more than 200 community members attended presentations to learn about air quality and health, how air quality sensors work to measure small particles, and how to build a homemade air cleaner. We monitored local air quality with a new sensor installed at the Hitchcock Center, and provided information about wildfire impacts to summer camp families and to the broader community via social media. And, we worked with the Public Health Institute of Western Mass to lead capacity building workshops for community leaders on environmental justice, air quality, water quality, and climate resilience.
- Youth Climate Leadership – Teen leaders, supported by Hitchcock Center staff, worked with 7 youth climate action teams from across the region as part of the Western Massachusetts Youth Climate Summit.

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Notes to Financial Statements (Continued)

June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

Annual Facts & Figures (Continued):

- Community Climate Resilience – We worked with towns including Whately, Ashfield, Chester, Blandford, and Middlefield as part of the statewide Municipal Vulnerability Preparedness program to engage the public in making their communities more resilient to climate change.
- Educating Youth, Children, and Families – We tested a new learning framework for sustainable engineering and design for our vacation and summer camp programs. We also created new climate-focused offerings for vacation camps, homeschool programs, and summer camp.
- Financial Access – More than 30% of the 1,100 children, youth and families who participate in our on-site programs are benefiting from increased financial access provided by our tiered fee structure and scholarship program. In addition, we offered 25 free or low-cost science and nature programs for families.
- School Residencies – Students in 9 elementary schools in Amherst, Northampton, Longmeadow, and Gill learned about plant and animal adaptations through outdoor exploration and engineering design challenges as part of our in-school residency program. We are also launching a new watershed and climate education program with elementary schools in Conway, Deerfield, Sunderland, Whately, and Ashfield.
- Professional Development – Teachers from throughout New England attended hybrid virtual and in-person workshops to learn about how to incorporate climate change in their teaching as part of a collaboration with Mass Audubon and Climate Generation. We also provided professional learning opportunities for college interns, pre-service and in-service teachers, and natural history programs and building tours for adults and college student groups.
- Civic Engagement – We convened experts, organizations, and community members with a combination of fireside chats, workshops, and civic forums as part of our new Climate Action Series. We also partnered with the Amherst CRESS (Community Responders for Equity, Safety and Service), the Center for EcoTechnology, and the Amherst Energy and Climate Action Committee to plan an open house event on community strength building through energy efficiency and resilience.
- Thought Leadership – We participated in regional and national collaborations including updating the NAAEE (North American Association for Environmental Education) Guidelines for Excellence in Climate Change Education, revising the NAAEE/Kettering Foundation guide for deliberative dialogue on climate change, and convening a Northeast regional environmental/climate education collaborative with NOAA and the Pisces Foundation.

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Notes to Financial Statements (Continued)

June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

Annual Facts & Figures (Continued):

- This year, 658 donors supported the transformative work of the Hitchcock Center for the Environment, through generous annual financial and in-kind donations.

Basis of Accounting: The financial statements of HCE are prepared on the accrual basis.

Basis of Presentation: The net assets of HCE are reported in two classes based upon the presence or absence of donor restrictions. Net assets restricted by donors can be temporary in nature by being subject to stipulations imposed by donors and grantors or by being restricted by time of receipt of promises to give. These net assets will be released into net assets without donor restrictions when HCE carries out the donor or grantor stipulations or by the passage of time. Net assets restricted by donors are also due to endowments created by donors that restrict the corpus in perpetuity and allow only the earnings to be used by HCE. All other net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of HCE.

Income Taxes: HCE is a not-for-profit corporation organized under Massachusetts General Laws Chapter 180. HCE is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, HCE qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). HCE is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, HCE is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. Management has determined that HCE 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.

Use of Estimates: 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturity dates of three months or less.

Pledges Receivable: Pledges receivable are recorded when a donor makes a promise to give to HCE that is, in substance, unconditional. These unconditional promises to give are recorded net of an allowance for present value of future cash flows and an allowance for estimated doubtful accounts, based on a review of each pledge by management.

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Notes to Financial Statements (Continued)

June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

Grants Receivable: Grants receivable are recorded when a grant is awarded. Based on past experience, HCE considers grants receivable to be fully collectible, and accordingly, no allowance for doubtful accounts has been established.

Accounts Receivable: Accounts receivable are primarily due from schools and school systems. Based on past experience, HCE considers accounts receivable to be fully collectible, and accordingly, no allowance for doubtful accounts has been established.

Cash Equivalents, Endowments: Cash equivalents, endowments have donor restrictions from various endowments that only allow HCE to use the earnings from these funds. These funds are not available for general operations.

Investments, Hitchcock Endowment: Investments, Hitchcock Endowment are held with one investment broker, and are reported at fair value. Only the earnings from the Hitchcock Endowment may be used and the corpus of the investments is not available for general operations.

Fair Value Measurements: Accounting standards have established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Inputs to the valuation methodology for the three levels of the fair value hierarchy are described below:

Level 1	Unadjusted quoted prices for identical assets or liabilities in active markets. Market price is generally obtained from exchange or dealer markets.
Level 2	Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3	Unobservable and significant to the fair value measurement.

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Notes to Financial Statements (Continued)

June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued): If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

The asset or liability's fair value measurement 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.

Property and Equipment: Furniture, equipment and leasehold improvements are capitalized when they benefit the operation of HCE for more than one year. These acquisitions are recorded at cost, or, if donated, at their estimated fair value. Property, equipment and leasehold improvements are depreciated over the estimated useful lives of the respective assets on a straight-line basis as follows:

Living building	50 years
Trails and exhibits	10 to 15 years
Furniture and office equipment	5 to 25 years
Leasehold improvements	10 to 15 years

Deferred Revenue: Monies received prior to summer day camp or other programs are reported as a liability until the summer day camp or other programs occur.

Revenue Recognition: Contributions are recognized when received or the donor makes a promise to give to HCE that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in the net assets without restrictions class if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases to net assets with donor restrictions.

Program fees are recorded as revenue when the program occurs. Grants are recorded when awarded and accounted for according to grantor restrictions. Grants with a right of return and measurable performance, or other barriers, are not recognized until the conditions on which they depend have been met. Fundraising event income, investment income, and other income are recorded when earned.

Donated Services, Materials and Space: HCE records contributed office space, professional services and materials as in-kind support. Contributed professional services are recognized if the services received create or enhance long-lived assets or required specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Non-cash donations are recognized at fair market value when received. The amounts reflected in the financial statements as in-kind support are offset by like amounts included in expenses.

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Notes to Financial Statements (Continued)

June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

Donated Services, Materials and Space (Continued): HCE receives a substantial number of volunteers and members of the staff to organize and carry on the public programs, annual fundraising campaign and other services. These services do not meet the recognition criteria described above and the value of this contributed time is not reflected in the accompanying financial statements.

Expense Allocation: Expenses that are directly related to a specific program are charged directly to that program. All other expenses are charged to HCE's programs and support services on the basis of HCE's estimate of the staff time engaged in the various functions. Costs for specific development activities are directly charged to development. Administrative costs include those expenses that are not directly identifiable with any other specific function but allocated based upon management's estimates of the benefits derived or utilization by each function.

Advertising: HCE uses advertising to promote its programs among audiences it serves. The cost of advertising is expensed when incurred. Advertising expense was \$406 and \$285 for the years ended June 30, 2023 and 2022, respectively.

Comparative Information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with HCE's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

New Accounting Standards: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*.

The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*.

HCE elected to adopt these ASUs effective July 1, 2022. HCE's one lease described in Note 10 was not capitalized because it would not have a material impact on the financials.

Reclassifications: Certain reclassifications have been made to the June 30, 2022, summarized comparative information to be in conformity with the current year presentation. These reclassifications had no effect on the previously reported change in net assets or ending net assets.

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Notes to Financial Statements (Continued)

June 30, 2023

2. Pledges Receivable

Unconditional promises to give are included in the financial statements as “pledges receivable” and revenue of the appropriate net asset category. Pledges are recorded at face value less a discount for the present value of future cash flows and an allowance for uncollectible pledges. The discount rate used to calculate the present value was 3.0%. Pledges receivable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Due in one year	\$ 74,277	\$ 92,729
Due in two or more years	<u>101,433</u>	<u>132,900</u>
Subtotal	175,710	225,629
Less: allowance for uncollectible pledges	2,500	2,500
Less: discount for present value	<u>8,139</u>	<u>5,968</u>
Total pledges receivable, net	<u>\$165,071</u>	<u>\$217,161</u>

3. Grants Receivable

Grants receivable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Grants from foundations	\$75,000	\$37,155
Institute of Museum & Library Services	11,892	
MA Cultural Facilities Fund	<u>7,500</u>	<u>7,500</u>
Total grants receivable	<u>\$94,392</u>	<u>\$44,655</u>

4. Investments, Hitchcock Endowment

The fair value of investments, all Level 1, were as follows at June 30:

	<u>2023</u>	<u>2022</u>
Stocks	\$ 601,004	\$ 697,665
Municipal bonds	167,334	209,210
Government short-term reserves	159,042	98,176
Bond funds	128,424	125,402
Stock funds	15,863	17,551
Corporate bonds	73,101	76,873
U.S. Treasury bill	69,302	19,480
Other	<u>72,733</u>	<u>61,040</u>
Total investments, Hitchcock Endowment	<u>\$1,286,803</u>	<u>\$1,305,397</u>

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Notes to Financial Statements (Continued)

June 30, 2023

4. Investments, Hitchcock Endowment (Continued)

Net investment earnings were \$50,687 and \$19,162 for the years ended June 30, 2023, and 2022, respectively. Investment income on the statement of activities also includes bank interest. Net unrealized losses in market value were \$26,893 and \$70,834 for the years ended June 30, 2023 and 2022, respectively.

The government short-term reserves are not considered as cash equivalents because they are included in this restricted investment for the Hitchcock Endowment.

5. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Living building	\$5,364,093	\$5,364,093
Furniture and equipment	308,120	318,713
Accessible trail improvements	27,377	27,377
Exhibits	151,345	151,345
Leasehold improvements	<u>106,814</u>	<u>106,814</u>
	5,957,749	5,968,342
Less accumulated depreciation	<u>1,050,674</u>	<u>918,001</u>
	<u>\$4,907,075</u>	<u>\$5,050,341</u>

Depreciation expense was \$147,266 and \$150,167 for the years ended June 30, 2023 and 2022, respectively.

HCE disposed of \$14,593 and \$1,503 of fully-depreciated computer during the years ended June 30, 2023 and 2022, respectively.

6. Deferred Revenue

Deferred revenue included in HCE's liabilities in the amount of \$140,293 and \$98,158 at June 30, 2023 and 2022, respectively, consisted of prepaid fees for summer day camp and various programs.

7. Line of Credit

HCE has a line of credit agreement for \$50,000 from a bank. Any borrowings are payable with interest at the Prime Rate plus 1.50% (9.75% at June 30, 2023). Borrowings are secured by substantially all the assets of HCE. There was no outstanding balance on the line of credit at June 30, 2023 or 2022.

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Notes to Financial Statements (Continued)

June 30, 2023

8. Note Payable

HCE has a loan from a local bank, secured by a mortgage on their property in Amherst, Massachusetts. HCE owed \$159,741 and \$251,046 on the related note payable at June 30, 2023 and 2022, respectively. The note payable requires HCE to make quarterly payments of principal in the amount of \$22,826, plus interest at the Prime Rate less 0.25% (8.00% at June 30, 2023) on the same day each quarter until December 19, 2024 (the Maturity Date), when the remaining principal sum together with any accrued but unpaid interest shall be due and payable without demand. The future principal maturities are as follows for the years ending June 30:

2024	\$ 91,304
2025	<u>68,437</u>
	<u>\$159,741</u>

9. Net Assets With Donor Restrictions

Net assets restricted by donors consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Purpose and time restrictions:		
Green Building fund	\$ 106,363	\$ 110,400
Other restricted funds	18,046	22,222
Annual fund pledges	<u>23,933</u>	<u>125,729</u>
Total purpose and time restrictions	<u>148,342</u>	<u>258,351</u>
Endowments:		
Hitchcock Endowment	1,286,803	1,305,397
Other endowments	<u>29,523</u>	<u>29,523</u>
Total endowments	<u>1,316,326</u>	<u>1,334,920</u>
Total net assets with donor restrictions	<u>\$1,464,668</u>	<u>\$1,593,271</u>

Spending Policy: HCE spends the interest income from these endowments on direct program expenses, the camp program, and camp scholarships per the donor restrictions.

Changes in donor-designated endowment net assets were as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Endowments, beginning of year	\$1,334,920	\$1,418,294
Investment income, net	50,688	19,162
Unrealized market losses, net	(26,893)	(70,834)
Less: amounts expended	<u>(42,389)</u>	<u>(31,702)</u>
Endowments, end of year	<u>\$1,316,326</u>	<u>\$1,334,920</u>

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Notes to Financial Statements (Continued)

June 30, 2023

10. Long-Term Lease

Commencing July 1, 2015, HCE entered into a 95-year ground lease with Hampshire College that requires an annual lease payment based on 5% of the assessed value of the land, with annual rent increases of 3%. Rent expense was \$1,202 and \$1,167, for the years ended June 30, 2023 and 2022, respectively. HCE chose not to capitalize the right-of-use asset and lease liability associated with this lease as it would have no material impact on the financial statements.

11. In-Kind Donations

In-kind services that met the criteria described in Note 1, and are recorded as revenue and expense were for professional fees of \$375 and \$987 for the years ended June 30, 2023 and 2022, respectively.

12. Available Resources and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 364,106	\$ 366,048
Pledges receivable, net	165,071	217,161
Grants receivable	94,392	44,655
Accounts receivable	10,775	20,675
Less: Green Building pledges and grant	(106,363)	(110,400)
Less: Other pledges due in more than one year	(23,933)	(57,700)
Less: Other restricted fund	<u>(18,046)</u>	<u>(22,222)</u>
Total financials assets available for general expenditures within one year	<u>\$ 486,002</u>	<u>\$ 458,217</u>

These financial assets are available to pay liabilities due within one year of the statement of financial position date of the following at June 30:

	<u>2023</u>	<u>2022</u>
Accounts payable	\$ 6,431	\$ 4,655
Accrued expense	20,958	11,324
Deferred revenue	140,293	98,158
Note payable, current portion	<u>91,304</u>	<u>96,377</u>
Total liabilities due within one year	<u>\$258,986</u>	<u>\$210,514</u>

HITCHCOCK CENTER FOR THE ENVIRONMENT, INC.

Notes to Financial Statements (Continued)

June 30, 2023

12. Available Resources and Liquidity (Continued)

As part of the HCE'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. HCE also has a \$50,000 line of credit available for short-term liquidity needs.

13. Related Parties

During the year ended June 30, 2023, a board member was paid \$5,100 for program consulting services.

14. Subsequent Events

Management has evaluated subsequent events after the statement of financial position date of June 30, 2023, through November 9, 2023, the date on which the financial statements were available to be issued, and concluded that no additional disclosures were required.