



WOODWELL CLIMATE RESEARCH CENTER, INC.

FINANCIAL STATEMENTS AND REPORTS
REQUIRED BY THE UNIFORM GUIDANCE

JUNE 30, 2022






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YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Woodwell Climate Research Center, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Woodwell Climate Research Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 present fairly, in all material respects, the financial position of Woodwell Climate Research Center, Inc. as of June 30, 2022 and 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Woodwell Climate Research Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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 and *Government 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 and *Government 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 the Woodwell Climate Research Center, 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 the Woodwell Climate Research Center, 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, on our consideration of the Woodwell Climate Research Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Woodwell Climate Research Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Woodwell Climate Research Center, Inc.'s internal control over financial reporting and compliance.

Calibre CPA Group, PLLC

Bethesda, MD
November 29, 2022

WOODWELL CLIMATE RESEARCH CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 31,965,737	\$ 12,815,090
U.S. Government contributions receivable	856,219	509,507
Other contributions, grants and contracts receivable	7,648,331	3,776,653
Prepaid expenses and other receivables	320,642	289,513
Total current assets	40,790,929	17,390,763
Investments		
Endowment and quasi-endowment investments	8,277,290	8,702,468
Other investments	845,269	1,652,021
Total investments	9,122,559	10,354,489
Net property and equipment		
	4,685,284	4,794,283
Other assets		
Other contributions receivable, net of current portion	8,300,266	2,256,617
Beneficial interest in real estate trust assets	212,651	212,651
Bond proceeds held in trust for debt retirement	10,803	11,680
Total other assets	8,523,720	2,480,948
Total assets	\$ 63,122,492	\$ 35,020,483
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 681,804	\$ 434,329
Accrued expenses	959,815	648,799
Refundable advances	14,869	2,662
Deferred contract revenue	417,185	681,663
Liability under charitable gift annuities	9,294	9,183
Loans payable	114,192	114,192
Total current liabilities	2,197,159	1,890,828
Long-term liabilities		
Liability under charitable gift annuities, net of current portion	86,958	95,256
Loans payable, net of current portion	948,457	1,036,090
Total liabilities	3,232,574	3,022,174
Net assets		
Without donor restrictions		
Operating	7,227,554	5,103,675
Board designated for endowment	2,455,223	2,219,261
Board designated for Fund for Climate Solutions	1,500,000	500,000
Net investment in property and equipment	3,633,438	3,655,681
Total net assets without donor restrictions	14,816,215	11,478,617
With donor restrictions		
Temporary restrictions	41,184,024	16,740,213
Perpetual restrictions	3,889,679	3,779,479
Total net assets with donor restrictions	45,073,703	20,519,692
Total net assets	59,889,918	31,998,309
Total liabilities and net assets	\$ 63,122,492	\$ 35,020,483

See accompanying notes to financial statements.

WOODWELL CLIMATE RESEARCH CENTER, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022					2021				
	Without Donor Restrictions	With Donor Restrictions			Total	Without Donor Restrictions	With Donor Restrictions			Total
		Temporary	Perpetual	Total			Temporary	Perpetual	Total	
Support and revenue										
Contributions and grants										
U.S. Government	\$ -	\$ 2,692,467	\$ -	\$ 2,692,467	\$ 2,692,467	\$ -	\$ 2,432,362	\$ -	\$ 2,432,362	\$ 2,432,362
Foundations and other	7,405,549	31,884,670	110,200	31,994,870	39,400,419	4,586,675	8,723,968	5,200	8,729,168	13,315,843
PPP loan forgiveness	-	-	-	-	-	1,206,926	-	-	-	1,206,926
Contract revenue	4,525,132	-	-	-	4,525,132	1,705,543	-	-	-	1,705,543
Investment income (loss)	(446,697)	(771,340)	-	(771,340)	(1,218,037)	751,581	1,219,108	-	1,219,108	1,970,689
Donated equipment	77,235	-	-	-	77,235	145,869	-	-	-	145,869
Change in value of split-interest agreements	(2,962)	-	-	-	(2,962)	(5,063)	-	-	-	(5,063)
Other income	28,659	-	-	-	28,659	12,824	-	-	-	12,824
Net assets released from restrictions	9,361,986	(9,361,986)	-	(9,361,986)	-	5,254,035	(5,254,035)	-	(5,254,035)	-
Total support and revenue	20,948,902	24,443,811	110,200	24,554,011	45,502,913	13,658,390	7,121,403	5,200	7,126,603	20,784,993
Expenses										
Research programs	12,672,740	-	-	-	12,672,740	8,087,254	-	-	-	8,087,254
General and administrative	3,385,532	-	-	-	3,385,532	2,942,121	-	-	-	2,942,121
Development and fundraising	1,553,032	-	-	-	1,553,032	1,033,057	-	-	-	1,033,057
Total expenses	17,611,304	-	-	-	17,611,304	12,062,432	-	-	-	12,062,432
Change in net assets	3,337,598	24,443,811	110,200	24,554,011	27,891,609	1,595,958	7,121,403	5,200	7,126,603	8,722,561
Net assets										
Beginning of year	11,478,617	16,740,213	3,779,479	20,519,692	31,998,309	9,882,659	9,618,810	3,774,279	13,393,089	23,275,748
End of year	\$ 14,816,215	\$ 41,184,024	\$ 3,889,679	\$ 45,073,703	\$ 59,889,918	\$ 11,478,617	\$ 16,740,213	\$ 3,779,479	\$ 20,519,692	\$ 31,998,309

WOODWELL CLIMATE RESEARCH CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			
	Research Programs	General and Administrative	Development and Fundraising	Total
Salaries, wages and benefits	\$ 7,199,024	\$ 2,398,189	\$ 1,138,389	\$ 10,735,602
Professional fees and other wages	1,258,006	473,520	72,706	1,804,232
Travel	453,207	29,346	83,880	566,433
Materials and supplies	345,861	423,501	106,844	876,206
Equipment	538,166	-	-	538,166
Communication	202,928	306,673	34,568	544,169
Facilities	8,873	273,978	-	282,851
Depreciation and amortization	874	548,743	-	549,617
Subawards	1,714,028	-	-	1,714,028
	11,720,967	4,453,950	1,436,387	17,611,304
Allocation of common costs	951,773	(1,068,418)	116,645	-
Total expenses	\$ 12,672,740	\$ 3,385,532	\$ 1,553,032	\$ 17,611,304
	2021			
	Research Programs	General and Administrative	Development and Fundraising	Total
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
	7,477,819	3,629,910	954,703	12,062,432
Allocation of common costs	609,435	(687,789)	78,354	-
Total expenses	\$ 8,087,254	\$ 2,942,121	\$ 1,033,057	\$ 12,062,432

See accompanying notes to financial statements.



WOODWELL CLIMATE RESEARCH CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Contributions and grant payments received		
U.S. Government	\$ 2,352,962	\$ 2,237,532
Foundations and other	31,294,148	9,993,874
Contract payments received	2,346,398	2,206,117
Investment income received	194,302	185,814
Other operating receipts	28,659	12,825
Payments to vendors, suppliers and employees	(16,590,593)	(11,462,282)
Interest payments	(2,655)	(947)
Net cash provided by operating activities	19,623,221	3,172,933
Cash flows from investing activities		
Purchases of investments	(1,623,149)	(3,177,819)
Proceeds from sales of investments	1,501,662	3,070,833
Purchases of property and equipment	(363,382)	(27,804)
Net cash used for investing activities	(484,869)	(134,790)
Cash flows from financing activities		
Net change in bond proceeds held in trust	877	998
Repayments of loans payable	(87,633)	(115,365)
Payments to charitable gift annuitants	(11,149)	(10,006)
Endowment contributions received	110,200	5,200
Net cash provided by (used for) financing activities	12,295	(119,173)
Net change in cash and cash equivalents	19,150,647	2,918,970
Cash and cash equivalents		
Beginning of year	12,815,090	9,896,120
End of year	\$ 31,965,737	\$ 12,815,090

See accompanying notes to financial statements.



WOODWELL CLIMATE RESEARCH CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021, 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 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, 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. Contributed nonfinancial assets consist of equipment used in research programs and are recognized at their estimated fair value based on comparable acquisition costs.

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, 2022, the Center adopted and applied retrospectively the provisions of Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (the Update). The Update requires enhanced disclosures and the reporting of contributed nonfinancial assets as a separate line item in the statements of activities. The adoption of the Update did not have a significant 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, 2019 through 2021 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL 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 \$2,455,223 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, 2022 and 2021. 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>2022</u>	<u>2021</u>
Total assets at end of year	\$ 63,122,492	\$ 35,020,483
Less nonfinancial assets		
Prepaid expenses	(314,476)	(288,969)
Net property and equipment	(4,685,284)	(4,794,283)
Beneficial interest in real estate trust assets	<u>(212,651)</u>	<u>(212,651)</u>
Total financial assets at end of year	57,910,081	29,724,580
Less amounts unavailable for general expenditures		
Amounts held in trust for debt expenses and retirement	(55,463)	(52,331)
Contributions receivable due in more than one year	(8,300,266)	(2,256,617)
Endowment investments	(8,277,290)	(8,702,468)
Add estimated amount available for appropriation	<u>331,000</u>	<u>348,000</u>
Total financial assets available for general expenditures within one year	<u>\$ 41,608,062</u>	<u>\$ 19,061,164</u>

NOTE 4. CONTRIBUTIONS, GRANTS AND CONTRACTS RECEIVABLE

Contributions, grants and contracts receivable as of June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Contracts receivable	\$ 2,048,151	\$ 133,895
Grants and contributions receivable		
Due in less than one year	6,456,399	4,152,265
Due in one to five years	<u>8,927,000</u>	<u>2,313,716</u>
	15,383,399	6,465,981
Less discount to net present value	<u>(626,734)</u>	<u>(57,099)</u>
	<u>14,756,665</u>	<u>6,408,882</u>
	<u>\$ 16,804,816</u>	<u>\$ 6,542,777</u>

Grants and contribution receivables due after one year have been discounted to their net present value using a discount rate of 3.0% as of June 30, 2022 and 2.5% as of June 30, 2021.

Conditional promises receivable as of June 30, 2022 total approximately \$7.2 million, consisting of unexpended U.S. Government grant awards of approximately \$6.1 million, and \$1.1 million promised to support the Center's Audacious Project, conditioned on raising total project funding of \$35 million.

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, 2022 and 2021 are as follows:

	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/20</u>
Contracts receivable	\$ 2,048,151	\$ 133,895	\$ 271,299
Deferred contract revenue	\$ 417,185	\$ 681,663	\$ 318,493

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>2022</u>	<u>2021</u>
Cost	\$ 8,097,393	\$ 7,628,259
Accumulated unrealized gain	1,006,529	2,706,988
	<u>9,103,922</u>	<u>10,335,247</u>
Accrued interest and dividends	18,637	19,242
	<u>\$ 9,122,559</u>	<u>\$ 10,354,489</u>

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

	<u>2022</u>	<u>2021</u>
Board-designated endowment	\$ 2,455,223	\$ 2,219,261
Unappropriated earnings on permanent endowments	1,932,388	2,703,728
Donor-restricted permanent endowments	<u>3,889,679</u>	<u>3,779,479</u>
	8,277,290	8,702,468
Net other investments	845,269	1,652,021
Total investments	<u>\$ 9,122,559</u>	<u>\$ 10,354,489</u>



NOTE 6. INVESTMENTS (CONTINUED)

Net investment return consisted of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 193,697	\$ 185,814
Net appreciation (depreciation)	(1,352,812)	1,843,797
Less investment fees	<u>(58,922)</u>	<u>(58,922)</u>
	<u>\$ (1,218,037)</u>	<u>\$ 1,970,689</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, 2022 and 2021 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, 2022 and 2021 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, 2022 and 2021.

NOTE 7. FAIR VALUE (CONTINUED)

Inputs used to determine the fair values of investments measured on a recurring basis at June 30, 2022 and 2021, by investment class, are as follows:

	Total at 06/30/22	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investment funds	\$ 194,739	\$ 194,739	\$ -	\$ -
Equities and ETFs				
Materials	138,620	138,620	-	-
Industrial goods	430,458	430,458	-	-
Consumer discretionary	485,577	485,577	-	-
Consumer staples	354,635	354,635	-	-
Health care	719,202	719,202	-	-
Financial services	526,952	526,952	-	-
Technology	1,203,062	1,203,062	-	-
Telecommunications	264,735	264,735	-	-
Utilities	115,910	115,910	-	-
Real estate	160,262	160,262	-	-
Mutual funds				
Bond funds	105,550	105,550	-	-
International funds	811,149	811,149	-	-
Fixed income				
Corporate debt securities	2,430,120	-	2,430,120	-
Government securities	1,162,951	-	1,162,951	-
	<u>\$ 9,103,922</u>	<u>\$ 5,510,851</u>	<u>\$ 3,593,071</u>	<u>\$ -</u>

NOTE 7. FAIR VALUE (CONTINUED)

	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 fund				
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 8. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2022 and 2021 consists of the following:

	2022	2021
Land	\$ 517,571	\$ 517,571
Building and improvements	11,266,780	11,107,216
Construction in progress	75,156	-
Furniture and equipment	<u>2,062,699</u>	<u>1,856,802</u>
	13,922,206	13,481,589
Less accumulated depreciation and amortization	<u>(9,236,922)</u>	<u>(8,687,306)</u>
Net property and equipment	<u>\$ 4,685,284</u>	<u>\$ 4,794,283</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, 2022 and 2021.

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, 0.756% and 0.14% as of June 30, 2022 and 2021, 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 \$1,062,649 in annual installments of \$114,192 through June 2031. The remaining outstanding principal will be retired through annual draws against the debt service reserve funds held in trust. Interest expense totaled \$2,655 and \$947 for the years ended June 30, 2022 and 2021, 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, 2022, principal repayments on the MHEFA loan are due by fiscal year as follows:

	<u>MHEFA Loan</u>
Year ending June 30, 2023	\$ 114,192
2024	114,192
2025	114,192
2026	114,192
2027	114,192
Thereafter	491,689
	<u>\$ 1,062,649</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, 2022, 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, 2022 and 2021 is as follows:

	<u>June 30, 2022</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Temporary</u>	<u>Perpetual</u>	
Endowment funds	\$ 2,455,223	\$ 1,932,388	\$ 3,889,679	\$ 8,277,290
Fund for Climate Solutions	1,500,000	5,315,828	-	6,815,828
Audacious Project	-	24,659,328	-	24,659,328
Funds restricted for research and similar purposes	-	8,737,920	-	8,737,920
Time restricted contributions	-	538,560	-	538,560
Net investment in property and equipment	3,633,438	-	-	3,633,438
Operating funds	7,227,554	-	-	7,227,554
	<u>\$ 14,816,215</u>	<u>\$ 41,184,024</u>	<u>\$ 3,889,679</u>	<u>\$ 59,889,918</u>

NOTE 11. NET ASSETS (CONTINUED)

	June 30, 2021			Total
	Without Donor Restrictions	With Donor Restrictions		
		Temporary	Perpetual	
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	5,103,675	-	-	5,103,675
	<u>\$ 11,478,617</u>	<u>\$ 16,740,213</u>	<u>\$ 3,779,479</u>	<u>\$ 31,998,309</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:

	2022	2021
Net property and equipment	\$ 4,685,284	\$ 4,794,283
Bond proceeds held in trust for debt retirement	10,803	11,680
Loans payable - current portion	(114,192)	(114,192)
Loans payable - long-term portion	(948,457)	(1,036,090)
	<u>\$ 3,633,438</u>	<u>\$ 3,655,681</u>

Net Assets with Temporary Donor Restrictions - Net assets with temporary donor restrictions as of June 30, 2022 and 2021 consist principally of research grants from private foundations and contributions for long-term purposes. Net assets with temporary donor restrictions result from gifts of cash or other assets with donor-imposed restrictions that require that such

NOTE 11. NET ASSETS (CONTINUED)

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, 2022 and 2021 were subject to restriction as follows:

	<u>2022</u>	<u>2021</u>
Research grants from foundations and others	\$ 8,737,920	\$ 10,237,739
Fund for Climate Solutions	5,315,828	3,498,746
Audacious Project	24,659,328	-
Time-restricted contributions	538,560	300,000
Unappropriated earnings on permanent endowments	1,932,388	2,703,728
	<u>\$ 41,184,024</u>	<u>\$ 16,740,213</u>

Following are the net assets released from donor-imposed restrictions during the years ended June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Research grants		
U.S. Government	\$ 2,692,467	\$ 2,432,362
Foundations and International	3,511,964	1,811,973
Fund for Climate Solutions	1,488,333	1,009,700
Audacious Project	1,369,222	-
Time-restricted contributions	300,000	-
Appropriated earnings on permanent endowments	-	-
	<u>\$ 9,361,986</u>	<u>\$ 5,254,035</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, 2022 and 2021:

	<u>2022</u>	<u>2021</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>355,300</u>	<u>245,100</u>
	<u>\$ 3,889,679</u>	<u>\$ 3,779,479</u>

Interpretation of Relevant Law

The Center is subject to the Massachusetts Prudent Management of Institutional Funds Act (MPMIFA) 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, 2022 and 2021, the Board of Directors appropriated for expenditure \$-0- and \$-0-, 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, 2022 and 2021, the Board of Directors appropriated for expenditure \$-0- and \$-0-, 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, 2022 and 2021, the Board of Directors appropriated for expenditure \$-0- and \$-0-, respectively.

Change in Endowment Net Assets

The following table represents the changes in endowment net assets for the years ended June 30, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary	Perpetual	
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	-	-	-	-
Endowment net assets, June 30, 2021	2,219,261	2,703,728	3,779,479	8,702,468
Contributions/designations	500,000	-	110,200	610,200
Investment income (loss)	(264,038)	(771,340)	-	(1,035,378)
Appropriations	-	-	-	-
Endowment net assets, June 30, 2022	<u>\$ 2,455,223</u>	<u>\$ 1,932,388</u>	<u>\$ 3,889,679</u>	<u>\$ 8,277,290</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, 2022 and 2021 was \$634,244 and \$533,154, 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, 2022 and 2021 totaled approximately \$11,300 and \$11,300, respectively. Future minimum lease payments by fiscal year are due as follows:



NOTE 13. OPERATING LEASES (CONTINUED)

Year ending June 30,	2023	\$	8,090
	2024		8,090
	2025		<u>2,583</u>
	Total	\$	<u>18,763</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, 2022, the Center's cash balances in excess of FDIC insurance coverage totaled approximately \$31.5 million. Included in other assets as bond proceeds held for debt retirement was an amount of \$10,803 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, 2022 and 2021, approximately 13% and 18%, 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. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 29, 2022, 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, 2022 AND 2021

	2022			
	Center Funded Science	Policy Engagement, Education and Communication	Policy Relevant Research	Total
Salaries, wages and benefits	\$ 1,484,935	\$ 1,842,641	\$ 3,871,448	\$ 7,199,024
Professional fees and other wages	149,879	524,879	583,248	1,258,006
Travel	70,636	102,533	280,038	453,207
Materials and supplies	34,696	78,990	232,175	345,861
Equipment	7,492	456,376	74,298	538,166
Communication	25,945	46,410	130,573	202,928
Facilities	6,294	-	2,579	8,873
Depreciation and amortization	-	-	874	874
Subawards	-	831,494	882,534	1,714,028
	1,779,877	3,883,323	6,057,767	11,720,967
Allocation of common costs	144,538	315,353	491,882	951,773
	\$ 1,924,415	\$ 4,198,676	\$ 6,549,649	\$ 12,672,740
	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
	1,423,983	1,678,065	4,375,771	7,477,819
Allocation of common costs	116,869	137,722	354,844	609,435
	\$ 1,540,852	\$ 1,815,787	\$ 4,730,615	\$ 8,087,254



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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Directors
Woodwell Climate Research Center, Inc.

Our report on our audit of the financial statements of Woodwell Climate Research Center, Inc. as of and for the year ended June 30, 2022 appears on pages 1-3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2022, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 financial statements. The information has been subjected to the auditing procedures applied in the audit 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 2022 financial statements as a whole.

Calibre CPA Group, PLLC

Bethesda, MD
November 29, 2022



WOODWELL CLIMATE RESEARCH CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

	Assistance Listing Number	Pass-Through or Awarding Entity Identifying Number	Federal Disbursements/ Expenditures	Passed Through to Subrecipients
Research and Development Cluster				
<u>U.S. Department of Agriculture</u>				
Forest Service				
Direct programs				
Agriculture and Food Research Initiative (AFRI)	10.310		\$ 358,516	\$ 208,638
Total Department of Agriculture			358,516	208,638
<u>U.S. Department of Defense</u>				
Strategic Environmental Research and Development Progr 12.U01		W912HQ18C0086		
Pass-through programs from				
Northern Arizona University		1003724-02	217,953	-
Total Department of Defense			217,953	-
<u>Department of the Interior</u>				
National Climate Change and Wildlife Science Center	15.820			
Pass-through programs from				
University of Massachusetts Amherst		21-016188-A00	99,533	49,006
University of Massachusetts Amherst		22-015184-G00	22,041	-
Total Department of the Interior			121,574	49,006
<u>National Aeronautics and Space Administration</u>				
Science Programs				
Direct programs	43.001		314,665	4,388
Pass-through programs from				
Northern Arizona University		1004072-02	10,251	-
Ohio State University		60074900	26,360	4,434
University of CA; Santa Barbara		KK1801	48,535	-
University of MA Boston		B000697950	13,114	-
Total National Aeronautics and Space Administration			412,925	8,822
<u>National Science Foundation</u>				
Mathematical and Physical Sciences				
Direct programs	47.049		15,210	-
Geosciences				
Direct programs	47.050		820,950	61,967
Pass-through programs from				
Marine Biological Laboratory		53696	29,318	-
University of Alaska Fairbanks		UA-21-0138	42,444	-
			892,712	61,967
Computer and Information Science and Engineering	47.070		81,359	32,011
Biological Sciences	47.074		370,453	170,847
Polar Programs	47.078		214,091	71,386
Total National Science Foundation			1,573,825	336,211
<u>U.S. Environmental Protection Agency</u>				
Southeast New England Coastal Watershed Restoration	66.129			
Pass-through programs from				
Buzzards Bay Coalition		SNEPWG-19-9-BBC-SM	7,674	-
National Estuary Program	66.456			
Pass-through programs from				
Commonwealth of Massachusetts		EPA-CE00A00623	37,047	-
Total Environmental Protection Agency			44,721	-
Total research and development cluster			\$ 2,729,514	\$ 602,677

See accompanying notes to schedule of expenditures of federal awards

See accompanying notes to schedule of expenditures of federal awards.



WOODWELL CLIMATE RESEARCH CENTER, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Woodwell Climate Research Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2. INDIRECT COSTS

Woodwell Climate Research Center, Inc. did not elect to use the 10% de minimis indirect cost rate either in awards received directly or indirectly nor on any awards passed through to subrecipients.

NOTE 3. RECONCILIATION TO AUDITED FINANCIAL STATEMENTS

A reconciliation between U.S. Government grant revenue recognized in the audited financial statements and total expenditures reported in the Schedule of Expenditures of Federal Awards follows:

Total U.S. Government grant revenue	
per audited financial statements	\$ 2,692,467
Cost-reimbursement contract reported as contract revenue	<u>37,047</u>
Total expenditures of federal awards	<u>\$ 2,729,514</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Woodwell Climate Research Center, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Woodwell Climate Research Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.



Report on Compliance and Other Matters

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

Woodwell Climate Research Center, Inc.'s Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on the Woodwell Climate Research Center, Inc.'s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Woodwell Climate Research Center, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Calibre CPA Group, PLLC

Bethesda, MD
November 29, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Woodwell Climate Research Center, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Woodwell Climate Research Center, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Woodwell Climate Research Center, Inc.'s major federal programs for the year ended June 30, 2022. Woodwell Climate Research Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Woodwell Climate Research Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Woodwell Climate Research Center, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Woodwell Climate Research Center, Inc.'s compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance


Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Woodwell Climate Research Center, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Woodwell Climate Research Center, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Woodwell Climate Research Center, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Woodwell Climate Research Center, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Woodwell Climate Research Center, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Woodwell Climate Research Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of This Report

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

Calibre CPA Group, PLLC

Bethesda, MD
November 29, 2022



WOODWELL CLIMATE RESEARCH CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Woodwell Climate Research Center, Inc. were prepared in accordance with U.S. generally accepted accounting principles.
2. One material weakness but no significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Woodwell Climate Research Center, Inc. were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for major federal award programs for Woodwell Climate Research Center, Inc. expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was Research and Development.
8. The threshold for distinguishing between Type A and Type B programs was \$750,000.
9. Woodwell Climate Research Center, Inc. qualified as a low-risk auditee.



WOODWELL CLIMATE RESEARCH CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)

YEAR ENDED JUNE 30, 2022

FINANCIAL STATEMENT FINDINGS

2022-001 GRANT AND CONTRIBUTION AGREEMENTS NEED TO BE MORE THOROUGHLY ANALYZED

During our audit, we determined that grants and pledges received by the Center in support of its Audacious Project were not sufficiently analyzed to ensure amounts were correctly recorded in the accounting records. Two pledges totaling \$1.1 million were conditioned on the Center raising the full \$35 million in projected funding, and these amounts were recognized as receivables and as restricted revenue even though the requisite condition had not been met as of year-end. In addition, there were approximately \$10.8 million in pledges that should have been recognized at year-end but were not. There were two other substantial pledges that were not sufficiently analyzed to determine whether they should have been recognized (as promises to give) or not (as merely indications of intentions to give). Both of those pledges were made through Donor Advised Funds (DAF), and only as part of the audit process were communications made with the public charity sponsors of those two DAFs to determine whether promises were made to contribute in the future (they were not; both public charity sponsors confirmed only an intention to give).

The recognition and reporting criteria applicable to contributions can be quite complex. And while we recognize that this project is new to the Center and that agreements with funders were carefully structured, the accounting principles involved apply to substantially all of the Center's funding. Therefore, it is critical that all such agreements be thoroughly analyzed to determine whether the criteria for recognition have been met (i.e., unconditional promises to give have been made by donors) so that amounts can be properly reported in the financial statements as well as in the Center's annual information returns.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

WOODWELL CLIMATE RESEARCH CENTER, INC.

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2022



CORRECTIVE ACTION PLAN November 2022

Woods Hole Research Center Inc. respectively submits the following corrective action plan for the year ended June 30, 2022.

The finding from the November 29, 2022 report on internal control related matters based on financial statement audit is discussed below.

2022-001 GRANT AND CONTRIBUTION AGREEMENTS NEED TO BE MORE THOROUGHLY ANALYZED

Recommendation: The Center should thoroughly analyze all agreements to determine whether the criteria for recognition have been met (i.e., unconditional promises to give have been made by donors) so that amounts can be properly reported in the financial statements as well as in the Center's annual information returns.

Actions to be taken:

Finance will continue to ensure that all grants and contributions received are supported by sufficient documentation to properly identify whether grants and contributions contain donor-imposed restrictions and/or conditions.

Finance will review current policies and procedures related to management of grants and contributions and update where necessary.

Development will ensure that all agreements are shared with the Finance team promptly upon receipt from the donor or public charity sponsor.

Finance and Development will conduct monthly meetings to review all grants and contributions to ensure that grants and contributions are properly recorded in the organization's financial statements.

All restricted and conditional grants and contributions will be identified separately in order to track when restrictions can be released and/or when conditions have been met.

Expected completion date: Monthly meetings to be implemented in January 2023. Policies will be reviewed and updated by February 2023.

Responsible person: Barry Leonard, bleonard@woodwellclimate.org