

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020



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CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

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Independent Auditors' Report

To the Board of Trustees
Cary Institute of Ecosystem Studies, Inc.
Millbrook, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Cary Institute of Ecosystem Studies, Inc., which comprise the statements of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

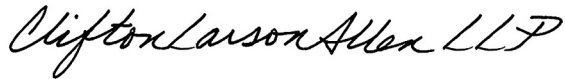
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cary Institute of Ecosystem Studies, Inc., as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2021 on our consideration of Cary Institute of Ecosystem Studies, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 Cary Institute of Ecosystem Studies, Inc.'s internal control over financial reporting and compliance.

Other Matter

The financial statements as of June 30, 2020 were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen LLP as of January 1, 2021 and has subsequently ceased operations. Blum, Shapiro & Company, P.C.'s report dated October 26, 2020 expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

West Hartford, Connecticut
November 16, 2021

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 2,002,356	\$ 846,228
Investments	150,914,459	126,733,168
Grants and contracts receivable	1,003,158	1,234,099
Pledges receivable	591,450	702,750
Other assets	151,806	3,200,790
Property and equipment, net	<u>16,941,712</u>	<u>7,801,292</u>
Total Assets	<u>\$ 171,604,941</u>	<u>\$ 140,518,327</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,207,661	\$ 128,502
Deferred revenue	9,236	193,597
Accrued vacation	593,437	647,960
Post-retirement benefits	585,394	574,121
Capital lease obligation	13,327	20,207
Total liabilities	<u>3,409,055</u>	<u>1,564,387</u>
Net Assets		
Without donor restrictions	41,810,898	36,859,778
With donor restrictions	<u>126,384,988</u>	<u>102,094,162</u>
Total net assets	<u>168,195,886</u>	<u>138,953,940</u>
Total Liabilities and Net Assets	<u>\$ 171,604,941</u>	<u>\$ 140,518,327</u>

The accompanying notes are an integral part of the financial statements

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues			
Government grants and contracts	\$ 4,212,783	\$ -	\$ 4,212,783
Private grants and contributions	1,653,478	2,315,429	3,968,907
Other income	20,683	-	20,683
Auxiliary enterprises	103,439	-	103,439
Investment return designated for operations	-	5,674,618	5,674,618
Net assets released from restrictions	7,804,598	(7,804,598)	-
Total operating revenues	<u>13,794,981</u>	<u>185,449</u>	<u>13,980,430</u>
Operating Expenses			
Program services:			
Science	8,016,467	-	8,016,467
Education	720,453	-	720,453
Auxiliary enterprises	296,287	-	296,287
Outreach, public programs and visitation	361,020	-	361,020
Library	256,348	-	256,348
Grounds	302,381	-	302,381
Total program services	<u>9,952,956</u>	<u>-</u>	<u>9,952,956</u>
Supporting services:			
Finance and administration	1,835,596	-	1,835,596
Executive management	458,981	-	458,981
Development	656,902	-	656,902
Total supporting services	<u>2,951,479</u>	<u>-</u>	<u>2,951,479</u>
Total operating expenses	<u>12,904,435</u>	<u>-</u>	<u>12,904,435</u>
Change in net assets from operations	<u>890,546</u>	<u>185,449</u>	<u>1,075,995</u>
Other Changes in Net Assets			
Investment gain, net in excess of amounts designated for operations	4,964,197	24,105,377	29,069,574
Loss on donated property held for sale	(903,623)	-	(903,623)
Total other changes in net assets	<u>4,060,574</u>	<u>24,105,377</u>	<u>28,165,951</u>
Increase in Net Assets	4,951,120	24,290,826	29,241,946
Net Assets - Beginning of Year	<u>36,859,778</u>	<u>102,094,162</u>	<u>138,953,940</u>
Net Assets - End of Year	<u>\$ 41,810,898</u>	<u>\$ 126,384,988</u>	<u>\$ 168,195,886</u>

The accompanying notes are an integral part of the financial statements

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues			
Government grants and contracts	\$ 5,281,369	\$ -	\$ 5,281,369
Private grants and contributions	1,376,100	1,423,758	2,799,858
Other income	112,141	-	112,141
Auxiliary enterprises	131,636	-	131,636
Tuition and fees	43,218	-	43,218
Investment return designated for operations	-	5,590,994	5,590,994
Net assets released from restrictions	7,333,373	(7,333,373)	-
Total operating revenues	<u>14,277,837</u>	<u>(318,621)</u>	<u>13,959,216</u>
Operating Expenses			
Program services:			
Science	9,028,727	-	9,028,727
Education	1,120,037	-	1,120,037
Auxiliary enterprises	384,929	-	384,929
Outreach, public programs and visitation	408,723	-	408,723
Library	267,248	-	267,248
Grounds	281,369	-	281,369
Total program services	<u>11,491,033</u>	<u>-</u>	<u>11,491,033</u>
Supporting services:			
Finance and administration	1,565,759	-	1,565,759
Executive management	452,864	-	452,864
Development	671,676	-	671,676
Total supporting services	<u>2,690,299</u>	<u>-</u>	<u>2,690,299</u>
Total operating expenses	<u>14,181,332</u>	<u>-</u>	<u>14,181,332</u>
Change in net assets from operations	96,505	(318,621)	(222,116)
Other Changes in Net Assets			
Investment gain, net in excess (deficiency) of amounts designated for operations	842,754	(3,441,362)	(2,598,608)
Donated property held for sale	3,000,000	-	3,000,000
Other changes in net assets	<u>3,842,754</u>	<u>(3,441,362)</u>	<u>401,392</u>
Increase (Decrease) in Net Assets	3,939,259	(3,759,983)	179,276
Net Assets - Beginning of Year	<u>32,920,519</u>	<u>105,854,145</u>	<u>138,774,664</u>
Net Assets - End of Year	<u>\$ 36,859,778</u>	<u>\$ 102,094,162</u>	<u>\$ 138,953,940</u>

The accompanying notes are an integral part of the financial statements

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Expenses								
Salaries	\$ 4,747,960	\$ 1,205,988	\$ 401,728	\$ 6,355,676	\$ 4,931,603	\$ 1,193,317	\$ 402,785	\$ 6,527,705
Benefits and taxes	1,594,486	441,874	138,554	2,174,914	1,637,851	426,055	151,813	2,215,719
Subcontracts	1,711,291	-	-	1,711,291	2,184,622	-	-	2,184,622
Outside services	767,953	90,149	45,676	903,778	1,204,821	114,439	30,138	1,349,398
Depreciation and amortization	462,491	41,223	4,094	507,808	534,819	23,633	5,051	563,503
Insurance	-	278,511	625	279,136	-	130,377	-	130,377
Supplies	189,835	51,791	10,541	252,167	188,768	59,214	10,240	258,222
Occupancy	168,597	19,569	4,181	192,347	104,994	4,464	1,155	110,613
Miscellaneous	57,617	37,280	31,202	126,099	72,449	28,050	9,329	109,828
Accounting services	-	91,500	3,250	94,750	-	6,800	3,250	10,050
Printing and publications	90,197	(12,222)	10,538	88,513	138,589	1,221	10,500	150,310
Fellowships	78,297	-	-	78,297	114,016	-	-	114,016
Telephone	18,053	42,025	46	60,124	20,725	16,635	47	37,407
Vehicle and travel expenses	54,129	677	90	54,896	306,674	9,388	3,407	319,469
Conferences and meetings	7,723	1,763	4,321	13,807	44,913	2,003	39,144	86,060
Postage	3,767	1,454	2,056	7,277	4,514	1,598	4,817	10,929
Legal	-	2,995	-	2,995	-	1,429	-	1,429
Interest and fees	560	-	-	560	1,675	-	-	1,675
Total Expenses	\$ 9,952,956	\$ 2,294,577	\$ 656,902	\$ 12,904,435	\$ 11,491,033	\$ 2,018,623	\$ 671,676	\$ 14,181,332

The accompanying notes are an integral part of the financial statements

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 29,241,946	\$ 179,276
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	507,808	563,503
Donated property and equipment	(663,065)	(3,018,816)
Realized and unrealized gains on investments, net	(63,204,075)	(3,809,205)
(Increase) decrease in operating assets:		
Grants and contracts receivable	230,941	70,021
Pledges receivable	111,300	(97,976)
Other assets	3,048,984	115,849
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	2,079,159	(139,541)
Deferred revenue	(184,361)	(116,258)
Accrued vacation	(54,523)	33,332
Post-retirement benefits	11,273	28,694
Net cash used in operating activities	<u>(28,874,613)</u>	<u>(6,191,121)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	67,089,995	16,230,315
Purchase of investments	(28,067,211)	(10,202,276)
Purchase of property and equipment	(8,985,163)	(701,802)
Net cash provided by investing activities	<u>30,037,621</u>	<u>5,326,237</u>
Cash Flows from Financing Activities		
Proceeds from contributions to endowment	-	226
Payments on capital lease obligation	(6,880)	(7,541)
Net cash used in financing activities	<u>(6,880)</u>	<u>(7,315)</u>
Increase (Decrease) in Cash and Cash Equivalents	1,156,128	(872,199)
Cash and Cash Equivalents - Beginning of Year	<u>846,228</u>	<u>1,718,427</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,002,356</u>	<u>\$ 846,228</u>
Cash Paid During the Year for Interest	<u>\$ -</u>	<u>\$ 1,535</u>

The accompanying notes are an integral part of the financial statements

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Cary Institute of Ecosystem Studies, Inc. (the Institute), formerly named The Institute of Ecosystem Studies, Inc., is a not-for-profit research and educational institution incorporated under the laws of the State of New York. The Institute is dedicated to the creation, dissemination and application of knowledge about ecological systems.

Basis of Accounting and Presentation

The financial statements of the Institute have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Institute are reported in the following net asset categories:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Trustees. The Board has designated a portion of net assets without donor restrictions to function as an endowment.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent 1) contributions that are restricted by the donor as to purpose or time of expenditure, 2) accumulated investment gains and income on endowment investments that have not been appropriated for expenditure, and 3) resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Institute to expend the income earned thereon.

Measure of Operations

The Institute's measure of operations includes all operating revenues and expenses that are an integral part of its programs, including net assets released from donor restrictions to support operations. The measure of operations also includes distributions from the endowment in accordance with the Institute's endowment spending policy. The measure of operations excludes income and gains or losses on endowment that exceed or are less than the distribution determined by the spending policy, other nonendowment-related investment income, donated property held for sale and losses related to donated property sold.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The most significant estimates relate to the valuation of alternative investments and the post-retirement medical liability.

Cash and Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less. As of June 30, 2021 and 2020, endowed cash of \$1,447,016 and \$297,099, respectively, was included in cash and cash equivalents on the statements of financial position. The Institute maintains deposits in financial institutions that may, at times, exceed federal and other depository insurance limits. Management believes that the Institute's deposits are not subject to significant credit risk.

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

Investment Valuation and Income Recognition

The Institute's investment portfolio consists of a wide range of securities and investment vehicles whose purpose is to help support the cost of the Institute's operations. Investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Investments in marketable equity and all debt securities are reported at market value in the statements of financial position. However, certain assets in the portfolio relate to investments in a variety of limited partnerships. These partnerships, in turn, may invest in listed and unlisted stocks, corporate bonds and other fixed income securities, as well as other limited partnerships and financial instruments that are illiquid, and may also engage in various forms of arbitrage. As a result, the market value of certain partnership investments is, of necessity, based on estimates as discussed in Note 2. These estimated values could differ significantly from values that would have been determined had there been a ready market for the underlying investments. Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Institute's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses on these investments are reported in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Property and Equipment

Property and equipment acquisitions and improvements thereon that exceed \$5,000 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives, which range from 4 to 35 years. Repairs and maintenance are charged to expense as incurred.

Contributions, Including Government Grants and Contracts

In accordance with Accounting Standards Update (ASU) No. 2018-08, certain governmental grants and contracts received by a not-for-profit, including certain awards to fund capital expenditures, are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and the Institute. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value.

The Institute reports contributions of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions.

The Institute has been awarded approximately \$6.4 million and \$8.6 million in grants and contracts that have not been advanced or expended as of June 30, 2021 and 2020, respectively, and, accordingly, are not recognized in the financial statements. Government grants and contracts are conditioned on incurring qualified program expenses or meeting performance measures.

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

The Institute reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations about how long those assets must be maintained, the Institute reports expirations of donor restrictions when the assets are placed in service.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time in developing the Institute's programs, principally its educational programs.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort, usage or square footage.

Income Taxes

The Institute is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income tax under Section 501(a) of the Code; however, the Institute is subject to federal income tax on any unrelated business taxable income.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through November 16, 2021, which represents the date the financial statements were available to be issued.

NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Institute has the ability to access.

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset'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. As a practical expedient, certain investments are measured at fair value on the basis of net asset value; its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies and investment strategies used for assets measured at fair value:

Money Market Funds

Money market funds are valued at the quoted net asset value of shares reported in the active market in which the funds are traded. The purpose of this investment is to maintain safe, highly liquid assets as opposed to generating significant yield.

Fixed Income

Fixed income is valued at the closing price reported in the active market in which the individual securities are traded. As a result, credit quality is a core emphasis of this allocation. The redemption period for these investments is daily, with no advanced notice.

Equity

Equity is valued at the closing price reported in the active market in which the individual securities are traded. This investment class seeks to provide long-term capital appreciation. Equity managers are selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry and market capitalization. The objective in selecting equity managers is to generate average annual compounded returns over the relevant broad market indices (i.e., the S&P 500, the Russell 1000, MSCI EAFE and MSCI World), net of fees, over full market cycles (5-10 years). The redemption period for these investments ranges from daily to semiannually, with 0-30 days' notice and varying lockup periods.

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

Alternative Assets

Interests in alternative assets are valued using net asset values as determined by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. This investment class may include both “absolute return strategies” and long/short “equity hedge” strategies. Absolute return strategies typically involve event-driven, stressed and distressed credit, and spread-based arbitrage investments. Absolute return strategies tend to be both flexible and opportunistic. They incorporate differentiated drivers of return compared to traditional investment strategies, and, as a result, they are expected to produce returns that exhibit relatively low correlation to broad market indices over longer time horizons. Equity hedge managers typically make both long and short investments and produce returns that can be expected to correlate more closely with the performance of the equity markets than would the performance of the absolute return strategies, though with lower volatility than traditional “long only” equity managers. Investments in alternative assets are generally subject to an initial lockup of 12-24 months or longer and thereafter investors can typically withdraw quarterly or annually with advance notice. The managers’ underlying investments may themselves be less liquid, but the investment cycle is substantially shorter than for private equity. Over time, alternative assets should generate equity-like returns with lower volatility than equity markets.

Real Assets

Real assets are valued at the quoted net asset value of shares held by the Institute at year end or valued using net asset values as determined by the investment manager of the fund. Real asset strategies tend to be utilized to diversify portfolio risk. They incorporate differentiated drivers of return compared to traditional investment strategies, and, as a result, they are expected to produce returns that exhibit relatively low correlation to broad market indices over longer time horizons.

Hybrid

Interests in hybrid investments are valued using net asset values as determined by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. This investment class seeks to capitalize on opportunistic investments across the credit spectrum.

Private Investments

Interests in private investments are valued using net asset values as determined by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. This investment class encompasses diverse strategies including buyout/growth, venture capital and control-oriented distressed. These investments generally have 4- to 6-year investment periods and approximately 10-year fund lives. Private investments are expected to generate higher returns than public market strategies. The performance of funds raised and managed by the same team following similar strategies can vary significantly from one period to the next. Thus, investment in this asset class requires diversification across not only managers, strategies and geographies but also “vintage years.”

Investments Managed by Others

The investments managed by others are valued at the quoted fair value of the underlying assets held at year end.

There have been no changes in the methodologies used at June 30, 2021 and 2020.

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

The following is a summary of the source of fair value measurements for assets as of June 30, 2021 and 2020:

2021

Description	June 30	Assets Measured at Net Asset Value (a)	Source of Fair Value Inputs		
			Level 1	Level 2	Level 3
Money market funds	\$ 3,496,335	\$ -	\$ 3,496,335	\$ -	\$ -
Fixed income:					
Domestic	23,066,168	-	23,066,168	-	-
Equity:					
Global equity - managed	46,659,260	46,659,260	-	-	-
Domestic equity - managed	17,533,446	17,533,446	-	-	-
Emerging equities - managed	8,078,374	8,078,374	-	-	-
Alternative assets:					
Absolute return	15,996,483	15,996,483	-	-	-
Equity hedge	10,042,353	10,042,353	-	-	-
Real assets	5,996,260	5,996,260	-	-	-
Hybrid	3,570,398	3,570,398	-	-	-
Private investments:					
Fund of funds	14,933,313	14,933,313	-	-	-
Buyout/growth	1,496,974	1,496,974	-	-	-
Investments managed by others	45,095	-	-	45,095	-
Total Assets at Fair Value	\$ 150,914,459	\$ 124,306,861	\$ 26,562,503	\$ 45,095	\$ -

2020

Description	June 30	Assets Measured at Net Asset Value (a)	Source of Fair Value Inputs		
			Level 1	Level 2	Level 3
Money market funds	\$ 4,572,685	\$ -	\$ 4,572,685	\$ -	\$ -
Fixed income:					
Domestic	27,931,810	5,967,763	21,964,047	-	-
Equity:					
Global equity - managed	34,114,945	25,283,511	8,831,434	-	-
Domestic equity - managed	13,106,724	13,106,724	-	-	-
Emerging equities - managed	5,852,289	5,852,289	-	-	-
Alternative assets:					
Absolute return	14,259,964	14,259,964	-	-	-
Equity hedge	8,642,171	8,642,171	-	-	-
Real assets	3,573,077	3,573,077	-	-	-
Hybrid	3,092,030	3,092,030	-	-	-
Private investments:					
Fund of funds	10,260,193	10,260,193	-	-	-
Buyout/growth	1,292,124	1,292,124	-	-	-
Investments managed by others	35,156	-	-	35,156	-
Total Assets at Fair Value	\$ 126,733,168	\$ 91,329,846	\$ 35,368,166	\$ 35,156	\$ -

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

There were no transfers between levels of investments during the years ended June 30, 2021 and 2020.

Additional information regarding investments that report fair value based on net asset value per share or unit as of June 30, 2021 is as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Global equity - managed	\$ 46,659,260	\$ -	Quarterly, semiannually,	30 days' notice
Domestic equity - managed	17,533,446	3,537,819	Daily	0 days' notice
Emerging equities - managed	8,078,374	-	Quarterly, annually	90 days' notice
Absolute return	15,996,483	-	Quarterly, semiannually	60-65 days' notice
Equity hedge	10,042,353	-	Monthly and every third anniversary expiring 1/1/2022 and 4/1/2022	60-180 days' notice
Real assets	5,996,260	5,880,000	Illiquid	Illiquid
Hybrid	3,570,398	3,372,818	Illiquid	Illiquid
Fund of funds	14,933,313	6,940,000	Illiquid	Illiquid
Buyout/growth	<u>1,496,974</u>	<u>64,155</u>	Illiquid	Illiquid
Total	<u>\$ 124,306,861</u>	<u>\$ 19,794,792</u>		

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Government agencies (primarily federal agencies)	\$ 839,235	\$ 1,019,988
University and other research institutions	163,923	192,478
Foundations	<u>-</u>	<u>21,633</u>
	<u>\$ 1,003,158</u>	<u>\$ 1,234,099</u>

At June 30, 2021 and 2020, grant proceeds in the amount of \$6,891 and \$181,026, respectively, were advanced to the Institute but not expended and, accordingly, are included in the accompanying financial statements as deferred revenue. Revenue on these grants will be recognized as expenditures are incurred.

NOTE 4 - PLEDGES RECEIVABLE

Unconditional pledges receivable as of June 30, 2021 and 2020 are expected to be collected as follows:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 226,000	\$ 200,750
Receivable in one to five years	<u>365,450</u>	<u>502,000</u>
	<u>\$ 591,450</u>	<u>\$ 702,750</u>

NOTE 5 - OTHER ASSETS

Other assets consisted primarily of donated residential property held for sale in Union Vale, New York. The property was reported at its appraised value of \$3,000,000 as of June 30, 2020. The property was sold during the year ended June 30, 2021 with proceeds to benefit the Institute. The Institute recognized a loss on the sale of the property, reported as loss on sale of donated property held for sale on the statements of activities and changes in net assets.

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 3,472,402	\$ 2,808,120
Land improvements	1,065,622	1,039,289
Buildings	8,661,806	8,661,806
Building improvements	6,217,888	6,183,888
Equipment, furniture and fixtures	4,013,731	3,891,510
Construction in progress	9,343,786	564,636
	<u>32,775,235</u>	<u>23,149,249</u>
Less accumulated depreciation and amortization	<u>15,833,523</u>	<u>15,347,957</u>
Property and Equipment, Net	\$ <u>16,941,712</u>	\$ <u>7,801,292</u>

Depreciation and amortization expense was \$507,808 and \$563,503, for the years ended June 30, 2021 and 2020, respectively.

As of June 30, 2021 the Institute incurred costs related to building renovation of \$9,343,786. The estimated time of completion is December 2021 with an estimated total cost of completion of approximately \$13,500,000.

NOTE 7 - LEASE COMMITMENT

Capital Lease

The Institute entered into a capital lease for a copier expiring in July 2024. The lease agreement requires monthly principal and interest payments of \$134. The Institute also entered into a postage lease agreement expiring June 2024. The lease agreement requires monthly principal and interest payments of \$229. The Institute also entered into a vehicle lease agreement for four vehicles expiring April 2021. The lease agreement requires monthly principal and interest payments of \$66 for each vehicle, with a payout option at the end of the lease of \$57 for each vehicle. As of June 30, 2021, all vehicles leases have been paid off.

The following is a summary of property under capital lease as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 22,171	\$ 38,337
Less accumulated amortization	<u>8,844</u>	<u>18,130</u>
Net Equipment Under Capital Lease	\$ <u>13,327</u>	\$ <u>20,207</u>

Amortization expense relative to the above property is included in depreciation and amortization expense as disclosed in Note 6.

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

At June 30, 2021, minimum future payments under the capital leases were as follows:

Year Ending June 30

2022		\$	4,353
2023			4,353
2024			4,353
2025			<u>268</u>
Total		\$	<u>13,327</u>

NOTE 8 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Institute's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 252,545	\$ 409,378
Investments	7,955,428	10,061,182
Grants and contracts receivable	1,003,159	1,234,099
Pledges receivable	411,443	200,750
Other assets	<u>40,262</u>	<u>45,730</u>
Financial assets available within one year	9,662,837	11,951,139
Board-authorized endowment draw for next fiscal year	<u>5,787,233</u>	<u>5,674,618</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	\$ <u>15,450,070</u>	\$ <u>17,625,757</u>

Liquidity Management

The Institute maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Institute invests cash in excess of weekly requirements in short-term investments. The Institute's governing board has designated a portion of its resources without donor restrictions for the endowment in the amount of \$20,882,381. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. In addition to financial assets available to meet general expenditures over the next 12 months, the Institute operates with a balanced budget and anticipates collecting sufficient revenue and utilizing approved appropriation of endowment assets to cover general expenditures.

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or time periods at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Endowment restricted in perpetuity	\$ 80,485,832	\$ 80,485,832
Accumulated gains and income on endowment assets available for appropriation by the Board of Trustees	42,080,724	19,269,543
Time restrictions:		
Future periods	51,000	88,000
Manglesdorf Trust	106,581	84,166
Purpose restrictions:		
Building Renovations	1,946,060	839,111
Science Innovation Fund	654,355	658,610
Strategic planning	360,775	340,775
Lyme disease research	2,104	108,462
Urban ecology research	154,660	-
Forest ecology research	69,524	104,244
Science and education initiatives	429,612	100,737
Program and outreach initiatives	43,761	14,682
	<u>\$ 126,384,988</u>	<u>\$ 102,094,162</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Board appropriations of accumulated gains and income	\$ 6,939,618	\$ 5,590,994
Lyme disease research	283,198	1,207,801
Urban ecology research	345,375	335,984
Science and education initiatives	149,837	122,087
Passage of time	37,750	37,750
Forest ecology research	34,720	25,927
Science Innovation Fund	14,100	12,830
	<u>\$ 7,804,598</u>	<u>\$ 7,333,373</u>

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - ENDOWMENT

GAAP provides accounting standards on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the New York Prudent Management of Institutional Funds Act (NYPMIFA). GAAP also provides for other disclosures concerning an organization's endowment funds whether or not the organization is subject to NYPMIFA. The State of New York introduced legislation in 2009, and NYPMIFA was enacted in 2010. The Institute's policy has always been to classify accumulated gains and income on donor-restricted endowment assets as net assets with donor restrictions until appropriated for expenditure.

The Institute's endowment consists of a board-designated fund and nine individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2021 and 2020 is as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 20,446,409	\$ -	\$ 20,446,409
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	80,485,832	80,485,832
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	-	42,080,724	42,080,724
Total	\$ <u>20,446,409</u>	\$ <u>122,566,556</u>	\$ <u>143,012,965</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 15,941,674	\$ -	\$ 15,941,674
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	80,485,832	80,485,832
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	-	19,269,543	19,269,543
Total	\$ <u>15,941,674</u>	\$ <u>99,755,375</u>	\$ <u>115,697,049</u>

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

Changes in endowment net assets for the years ended June 30, 2021 and 2020, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - June 30, 2019	\$ 15,445,566	\$ 103,202,815	\$ 118,648,381
Investment return, net	329,402	2,143,328	2,472,730
Contributions	-	226	226
Endowment assets appropriated for expenditure	-	(5,590,994)	(5,590,994)
Additional board designation	<u>166,706</u>	<u>-</u>	<u>166,706</u>
Endowment net assets - June 30, 2020	15,941,674	99,755,375	115,697,049
Investment return, net	4,774,001	29,750,799	34,524,800
Endowment assets appropriated for expenditure	-	(5,674,618)	(5,674,618)
Additional appropriation for building renovations	-	(1,265,000)	(1,265,000)
Additional board appropriations	<u>(269,266)</u>	<u>-</u>	<u>(269,266)</u>
Endowment Net Assets - June 30, 2021	<u>\$ 20,446,409</u>	<u>\$ 122,566,556</u>	<u>\$ 143,012,965</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Institute to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature that are reported in net assets with donor restrictions as of June 30, 2021 and 2020.

Return Objectives and Risk Parameters

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide sufficient liquidity, preserve capital in inflation-adjusted terms and grow capital with moderate risk. Actual returns in any given year may vary.

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). The Institute targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Institute has a policy of appropriating for distribution each year 5% of the endowment fund's average fair value over the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. The actual amount spent was \$5,674,618 and \$5,590,994 for the years ended June 30, 2021 and 2020, respectively. In establishing this policy, the Institute considered the long-term expected return on its endowment. The policy is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Institute has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. During the year ended June 30, 2020, the Board appropriated an additional \$5 million from the endowment without donor restrictions to support building renovations. \$1,265,000 and \$-0- were drawn from the additional \$5 million appropriation during the years ended June 30, 2021 and 2020, respectively.

NOTE 12 - PENSION AND OTHER POSTRETIREMENT BENEFITS

Retirement benefits for professional staff are provided under a defined contribution program with the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA and CREF). The Institute makes biweekly contributions to TIAA and CREF based on eligible employees' earnings. Contributions for the years ended June 30, 2021 and 2020 were \$554,728 and \$527,630, respectively.

The Institute participates in the Cultural Institution Retirement System (CIRS) Pension, 401(k) Savings, and Group Life and Welfare Benefits Plans. Each plan is a multiemployer plan covering employees from multiple cultural institutions and NYC daycare centers.

The CIRS pension plan (EIN number 11-2001170, Plan number 001) offers benefits related to years of service and final average salary. Eligible employees enter the plan on the first day of the month after completing 12 months of service and attainment of age 21. Participants become 100% vested after five years of service. CIRS is responsible for administering the benefits of the pension plan and investing the plan assets. For the plan years 2021 and 2020, the zone status under the Pension Reform Act is certified by the pension plan's actuary to be in the green zone and, therefore, there are no surcharges for the pension plan, and no financial improvement plan or rehabilitation plan is required. The Institute's pension expense related to this Plan was \$126,078 and \$105,793 for the years ended June 30, 2021 and 2020, respectively.

Eligible employees may participate in the 401(k) Savings and Group Life and Welfare Benefits Plans on the first day of the month after completing 3 months of service and attainment of age 21. The requirement for all participants to contribute at least 2% of their salary on either an after-tax basis or a pre-tax basis was eliminated as of January 1, 2017. The employer may make matching contributions to the 401(k) plan; however, as specified in the current Collective Bargaining Agreement, the match has been suspended until further notice. The Institute's expenses for the 401(k) Savings Plan, Group Life and Welfare Benefits Plans and the administrative costs for all three plans was \$18,401 and \$16,584 for the years ended June 30, 2021 and 2020, respectively.

CARY INSTITUTE OF ECOSYSTEM STUDIES, INC.

NOTES TO FINANCIAL STATEMENTS

In addition, the Institute has a Post-Retirement Medical Plan (the Plan) for eligible retired employees. Under the terms of the Plan, certain medical care expenses are reimbursed subject to a \$1,200 limit per eligible retiree for any calendar year. Substantially all of the Institute's employees may become eligible for those benefits when they retire and reach normal retirement age. Included in accrued expenses is a postretirement medical liability of \$585,394 and \$574,121 for the fiscal years 2021 and 2020, respectively. For the years ended June 30, 2021 and 2020, approximately \$26,673 of postretirement benefit expense was recognized. Payments of \$15,400 and \$13,490 were made to beneficiaries in fiscal years 2021 and 2020, respectively. This Plan is no longer applicable to new employees who began their employment on or after January 1, 2012.