

AMERICAN METEOROLOGICAL SOCIETY

**OFFICE OF MANAGEMENT AND BUDGET
UNIFORM GUIDANCE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2020**

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Certified Public Accountants & Consultants

AMERICAN METEOROLOGICAL SOCIETY

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INDEPENDENT AUDITOR’S REPORT

To the Executive Committee
American Meteorological Society
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of American Meteorological Society (the “Society”) (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society’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 Society’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 the Society as of December 31, 2020, 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.

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Other Matters

Other Information

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, presented on pages 25 to 26, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 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 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 a report dated September 8, 2021 on our consideration of the Society'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 Society'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 Society's internal control over financial reporting and compliance.

Tonneson & Company, PC

Wakefield, Massachusetts
September 8, 2021

AMERICAN METEOROLOGICAL SOCIETY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS

ASSETS:

| | | |
|---|-----------|---------------------------------|
| Cash and cash equivalents | \$ | 3,632,711 |
| Accounts receivable | | 811,216 |
| Pledges receivable, net | | 219,335 |
| Investments | | 8,946,855 |
| Inventories | | 63,429 |
| Property and equipment, net | | 9,519,600 |
| Prepaid expenses and other current assets | | <u>762,418</u> |
| TOTAL ASSETS | \$ | <u><u>23,955,564</u></u> |

LIABILITIES AND NET ASSETS

LIABILITIES:

| | | |
|--|----|--------------------------|
| Note payable, PPP loan | \$ | 1,409,142 |
| Long-term debt | | 3,634,780 |
| Accounts payable and accrued expenses | | 1,090,659 |
| Deferred revenue | | 4,724,432 |
| Charitable gift annuity liability | | 189,341 |
| Fair value of interest rate swap agreement | | 118,848 |
| Deferred rent | | 93,949 |
| Commitments | | <u>-</u> |
| TOTAL LIABILITIES | | <u>11,261,151</u> |

NET ASSETS:

| | | |
|---|-----------|---------------------------------|
| Without donor restrictions | | 7,454,424 |
| With donor restrictions | | <u>5,239,989</u> |
| TOTAL NET ASSETS | | <u>12,694,413</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ | <u><u>23,955,564</u></u> |

AMERICAN METEOROLOGICAL SOCIETY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|--|---|-----------------------------|
| SUPPORT AND REVENUE: | | | |
| Publications | \$ 7,795,026 | \$ - | \$ 7,795,026 |
| Meetings and exhibits | 4,133,665 | - | 4,133,665 |
| Membership and communication | 1,971,831 | - | 1,971,831 |
| Other educational assistance | 1,681,471 | - | 1,681,471 |
| Federal financial assistance | 786,079 | - | 786,079 |
| Investment income | 453,236 | 700,229 | 1,153,465 |
| Contributions | 162,103 | 226,961 | 389,064 |
| Rental income | 90,250 | - | 90,250 |
| Net assets released from restrictions | 164,632 | (164,632) | - |
| | <u>17,238,293</u> | <u>762,558</u> | <u>18,000,851</u> |
| Total support and revenue | | | |
| EXPENSES: | | | |
| Program services: | | | |
| Publications | 5,271,666 | - | 5,271,666 |
| Education and policy programs | 2,382,859 | - | 2,382,859 |
| Meetings and exhibits | 3,519,884 | - | 3,519,884 |
| Membership and communication | 2,731,597 | - | 2,731,597 |
| Student programs | 460,953 | - | 460,953 |
| Supporting services: | | | |
| Administrative and general | 1,809,918 | - | 1,809,918 |
| Development | 257,378 | - | 257,378 |
| | <u>16,434,255</u> | <u>-</u> | <u>16,434,255</u> |
| Total expenses | | | |
| INCREASE IN NET ASSETS | 804,038 | 762,558 | 1,566,596 |
| NET ASSETS, BEGINNING OF YEAR | <u>6,650,386</u> | <u>4,477,431</u> | <u>11,127,817</u> |
| NET ASSETS, END OF YEAR | \$ <u><u>7,454,424</u></u> | \$ <u><u>5,239,989</u></u> | \$ <u><u>12,694,413</u></u> |

AMERICAN METEOROLOGICAL SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

| | Program Services | | | | | Supporting Services | | Total |
|---------------------------------------|---------------------|-------------------------------|-----------------------|------------------------------|-------------------|----------------------------|-------------------|----------------------|
| | Publications | Education and Policy Programs | Meetings and Exhibits | Membership and Communication | Student Programs | Administrative and General | Development | |
| Payroll and related taxes | \$ 1,912,109 | \$ 1,141,298 | \$ 726,151 | \$ 1,460,839 | \$ 116,520 | \$ 1,126,352 | \$ 152,822 | \$ 6,636,091 |
| Conferences and meetings expense | - | - | 2,334,107 | - | - | - | - | 2,334,107 |
| Journal production and mailing | 1,643,544 | - | - | 251,273.00 | - | - | - | 1,894,817 |
| Employee benefits, health and welfare | 226,717 | 135,323 | 86,099 | 173,210 | 13,816 | 133,550 | 18,120 | 786,835 |
| Employee benefits - retirement | 157,378 | 93,935 | 59,766 | 120,235 | 9,590 | 92,707 | 12,578 | 546,189 |
| Consulting | 143,988 | 155,629 | 43,730 | 75,220 | 6,345 | 32,884 | 34,465 | 492,261 |
| Occupancy | 128,075 | 61,369 | 48,028 | 88,052 | 8,005 | 45,063 | 5,633 | 384,225 |
| Depreciation and amortization | 94,088 | 45,084 | 35,283 | 145,669 | 5,881 | 33,106 | 4,138 | 363,249 |
| Education books production | - | 313,824 | - | - | - | - | - | 313,824 |
| Education programs and workshops | - | 282,750 | - | - | - | - | - | 282,750 |
| Online hosting | 269,606 | - | - | - | - | - | - | 269,606 |
| Student scholarships and fellowships | - | - | - | - | 255,667 | - | - | 255,667 |
| Bank charges and fees | 127,713 | - | 67,905 | 32,776 | - | 25,333 | - | 253,727 |
| Volunteer editor support | 221,370 | - | - | - | - | - | - | 221,370 |
| Interest expense | 67,315 | 32,255 | 25,243 | 46,279 | 4,207 | 23,684 | 2,961 | 201,944 |
| Computer expense | 61,448 | 29,444 | 23,043 | 42,246 | 3,841 | 21,620 | 2,703 | 184,345 |
| Professional fees | - | - | - | - | - | 162,500 | - | 162,500 |
| Telephone | 38,847 | 18,614 | 14,568 | 26,708 | 2,428 | 13,668 | 1,709 | 116,542 |
| Office supplies and expense | 35,355 | 16,941 | 13,258 | 24,307 | 2,210 | 12,440 | 1,555 | 106,066 |
| Insurance | 33,108 | 15,864 | 12,416 | 22,762 | 2,069 | 11,650 | 1,456 | 99,325 |
| Repairs and maintenance | 30,919 | 14,815 | 11,595 | 21,257 | 1,932 | 10,879 | 1,360 | 92,757 |
| Affiliate membership dues | - | - | - | 87,640 | - | - | - | 87,640 |
| Utilities | 18,723 | 8,971 | 7,021 | 12,872 | 1,170 | 6,589 | 823 | 56,169 |
| Council and committee | - | - | - | - | - | 51,363 | - | 51,363 |
| Membership communication expense | - | - | - | 42,644 | - | - | - | 42,644 |
| Other membership expenses | - | - | - | 32,012 | - | - | - | 32,012 |
| Book production and mailing | 30,025 | - | - | - | - | - | - | 30,025 |
| Centennial expenses | 9,775 | - | 9,775 | 9,775 | - | - | - | 29,325 |
| Student programs | - | - | - | - | 26,973 | - | - | 26,973 |
| Dues and subscriptions | 16,771 | 3,509 | 99 | - | - | 3,649 | - | 24,028 |
| Fundraising expenses other | - | - | - | - | - | - | 16,844 | 16,844 |
| Merchandise for resale | - | - | - | 12,527 | - | - | - | 12,527 |
| Policy programs | - | 10,938 | - | - | - | - | - | 10,938 |
| Miscellaneous | 2,516 | 1,205 | 943 | 1,729 | 157 | 883 | 111 | 7,544 |
| Postage | 2,276 | 1,091 | 854 | 1,565 | 142 | 801 | 100 | 6,829 |
| Travel | - | - | - | - | - | 1,197 | - | 1,197 |
| | <u>\$ 5,271,666</u> | <u>\$ 2,382,859</u> | <u>\$ 3,519,884</u> | <u>\$ 2,731,597</u> | <u>\$ 460,953</u> | <u>\$ 1,809,918</u> | <u>\$ 257,378</u> | <u>\$ 16,434,255</u> |

See Notes to Financial Statements.

AMERICAN METEOROLOGICAL SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|------------------|
| Cash received from publications | \$ 7,352,772 |
| Cash received from meetings and exhibits | 2,376,183 |
| Cash received from membership and communication | 1,985,195 |
| Cash received from education and policy programs | 1,733,971 |
| Cash received from other activities | (38,497) |
| Interest and dividends received | 136,152 |
| Cash received from rental income | 90,250 |
| Cash received from contributions | 1,125,718 |
| Cash payments for salaries, benefits, and payroll taxes | (7,860,936) |
| Cash payments to vendors | (7,576,404) |
| Interest paid | <u>(121,053)</u> |

Net cash used in operating activities (796,649)

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|------------------------------------|--------------------|
| Purchase of property and equipment | (53,125) |
| Proceeds from sale of investments | 1,631,547 |
| Purchase of investments | <u>(1,855,365)</u> |

Net cash used in investing activities (276,943)

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|--|-----------------|
| Payments on note payable, bank | (500,000) |
| Proceeds from note payable, PPP loan | 1,409,142 |
| Payments on long-term debt | (183,333) |
| Contributions restricted for endowment | 93,011 |
| Payments to charitable gift annuitants | (21,765) |
| Financing fees | <u>(17,637)</u> |

Net cash provided by financing activities 779,418

NET DECREASE IN CASH (294,174)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 3,926,885

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 3,632,711

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies

Nature of Activities - American Meteorological Society was formed in 1919. Interdisciplinary in scope, the Society actively promotes the development and dissemination of information on the atmospheric and related oceanic and hydrologic sciences.

Basis of Accounting - The financial statements of the Society have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation - Under U.S. GAAP, the Society is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Society. These assets may be used at the discretion of the Society's management and executive committee.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by action of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Estimates - The preparation of financial statements in conformity with U.S. GAAP 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.

Cash and Cash Equivalents - Cash and cash equivalents consist of highly liquid investments with original maturities of ninety days or less. Cash equivalents are carried at cost which approximates fair value.

Accounts Receivable - Accounts receivable are stated at the amount the Society's management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical collection experience, its assessment of current economic conditions, review and assessment of estimated funding sources, and the financial condition of the debtor. Balances which are still outstanding after the Society's management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable have been reviewed by management and it has been determined that there is no requirement for an allowance for doubtful accounts as of December 31, 2020.

Pledges Receivable - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Pledges receivable have been reviewed by management and it has been determined that there is no requirement for an allowance for doubtful accounts as of December 31, 2020.

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments - The Society reports its investments pursuant to U.S. generally accepted accounting principles. Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Gains and losses on the disposition of investments are accounted for on the average cost method for equities and specific identification method for other securities. Investment income and gains restricted by donors are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restriction.

The Society maintains a master investment account for its donor-restricted endowments, unless specifically requested by the donor to be segregated. Realized and unrealized gains and losses from securities in the master account are allocated monthly to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment account, as adjusted for additions to or deductions from those accounts.

The Society maintains an investment portfolio consisting of a combination of long-term cash and cash equivalents, fixed income, common stocks, and equity securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the Society's investment account balances.

Inventories - Inventories, consisting primarily of periodicals and books, are stated at net realizable value.

Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets which range from three to forty years. Additions and betterments of \$2,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

The Society's land and buildings are in a historical district and its original building is classified as a historical structure. The original property is a historical treasure that is worth preserving perpetually. The Society has the capacity to protect and preserve essentially the service potential of the land and building and is doing so.

Derivatives - Derivative instruments consist of one interest rate swap agreement which is measured at fair value and recorded in accordance with U.S. generally accepted accounting principles.

Debt Issuance Costs - In accordance with FASB Codification Topic 835, *Interest*, the Society presents unamortized debt issuance costs as a reduction of the carrying amount of the debt. Debt issuance costs are being amortized using straight-line method over the term of the related financing agreements.

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition - The Society has multiple revenue streams that are accounted for as reciprocal exchange transactions including publications, meetings and exhibits, membership and communication, and other educational assistance. Revenues are recognized when control of these services is transferred to its customers, in an amount that reflects the consideration the Society expects to be entitled to in exchange for those products and services.

Because the Society's performance obligations relate to contracts with a duration of less than one year, the Society has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components. The following revenue are included in the accompanying financial statements.

Publications

Subscriptions - Subscription fees consist of amounts that individuals and corporations pay in exchange for annual subscriptions to the peer-reviewed scientific journals and scientific monographs that the Society publishes each year. All subscription terms are for the calendar year, and annual fees are fixed and paid in advance. For performance obligations related to subscription fees, control transfers to the customer over time. Revenue under subscription contracts is recognized using an output method based on time elapsed divided by the total contract term.

Page Charges - Page charges consist of amounts paid by individuals and corporations to have their content published within the peer-reviewed scientific journals and scientific monographs published by the Society each year. Page charge fees are fixed and based on the number of pages being published. For performance obligations related to page charges, control transfers to the customer at a point in time. The Society transfers control and records revenue upon publication of the related journal or monograph.

Book Sales - Book sales consist of amounts paid by individuals and corporations for the purchase of books sold by the Society and distributed through the Society's online bookstore as well as through a third-party distributor. For performance obligations related to book sales, control transfers to the customer at a point in time. The Society's principle terms of sale are FOB shipping point and the Society transfers control and records revenue for book sales upon shipment to the customer.

Meetings and Exhibits

Registration Fees - The Society hosts various scientific meetings and events every year. Each meeting or event is usually one to two days in duration. Registration fees consist of amounts paid by individuals to attend the events and related scientific presentations. Registration fees are fixed and are paid in advance through online registration, or they are paid on site at the event. For performance obligations related to meeting and event registration fees, control transfers to the customer at a point in time. The Society transfers control and records revenue upon the completion of each meeting or event.

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Meetings and Exhibits (Continued)

Online Abstract Fees - Online abstract fees consist of amounts paid by individuals who are presenting at the meeting or event. Presenters must pay a fee to post an abstract of their presentation online and upload any necessary supplemental information. Abstract fees are fixed and are paid in advance. For performance obligations related to meeting and event online abstract fees, control transfers to the customer at a point in time. The Society transfers control and records revenue upon the completion of each meeting or event.

Sponsorship and Exhibitor Fees - Sponsorship fees consist of amounts paid by corporations for various levels of brand recognition at the event. Exhibitor fees represent amounts paid by corporations for floor space at the event to set up a company exhibit booth. Sponsorship and exhibitor fees are fixed and are paid in advance. For performance obligations related to meeting and event sponsorship and exhibitor fees, control transfers to the customer at a point in time. The Society transfers control and records revenue upon the completion of each meeting or event.

Membership and Communication

Membership Dues - Membership dues consist of amounts that individuals and corporations pay to gain access to member only academic libraries and publications, the AMS Community Platform, as well as various discounts on meeting and event registration fees and subscriptions to publications. All membership terms are for the calendar year, and annual fees are fixed and paid in advance. For performance obligations related to membership dues, control transfers to the customer over time. Revenue under membership contracts is recognized using an output method based on time elapsed divided by the total contract term.

Other Educational Assistance

Tuition Fees - Tuition fees consist of amounts paid by individuals to attend either a summer educational on-site workshop or a 13 week online based scientific course. Tuition fees are fixed and are paid in advance. For performance obligations related to educational programs, control transfers to the customer over time. Revenue under educational program contracts is recognized using an output method based on time elapsed divided by the total contract term.

License and Textbook Fees - License fees consist of amounts paid by institutions of higher education for a term license running the academic year, or August 15 to August 14, that grants the institution and its faculty access to a full course package, consisting of access to online portals and a course textbook. The course textbooks are also ordered separate from the term license, typically by the educational institution's bookstore. For performance obligations related to educational program license fees, control transfers to the customer over time. Revenue under license fee contracts is recognized using an output method based on time elapsed divided by the total contract term. For performance obligations related to textbook fees, control transfers to the customer at a point in time. The Society's principle terms of sale are FOB shipping point and the Society transfers control and records revenue for textbook fees upon shipment of the goods to the customer.

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Amounts paid in advance represent contract liabilities and are recorded as deferred revenue. Contract assets represent revenue recognized in excess of the amount billed to the customer. Contract liabilities at December 31, 2020 amounted to \$4,724,432. There were no contract assets at December 31, 2020.

Revenue recognized based on performance obligations satisfied over time for the year ended December 31, 2020 amounted to approximately \$6,800,000. Revenue recognized based on performance obligations satisfied at a point in time for the year ended December 31, 2020 amounted to approximately \$8,700,000.

Contributed Services - Contributed services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. Contributed services are recognized as revenue at the estimated fair value when the service is received. There were no contributed services received by the Society during the year ended December 31, 2020. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Society with various programs and committee assignments, but these services do not meet the criteria for recognition as contributed services.

Functional Allocation of Expenses - The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy costs, utilities, interest expense, computer expense, office expense, insurance, depreciation and amortization, and repairs and maintenance which are allocated based on the number of employees in the respective departments. Other expenses are allocated based on time and effort.

The following program and supporting services are included in the accompanying financial statements.

Publications

Includes the publication of the Society's primary journals (Journal of the Atmospheric Sciences, Journal of Applied Meteorology and Climatology, Monthly Weather Review, Journal of Physical Oceanography, Journal of Atmospheric and Oceanic Technology, Journal of Climate, Weather and Forecasting, Weather, Climate and Society, Journal of Hydrometeorology and Earth Interactions electronic journal).

Education and Policy Programs

Includes federal funding and Society support of nationally recognized programs using the study of the atmosphere and ocean to enhance or create an interest in pre-college students in science and engineering. Programs include, among others, AMS/NOAA Cooperative Program for Earth System Education, AMS Summer Policy Colloquium 2018-2021, AMS Climate Studies and Research Opportunities in Space and Earth Sciences. Policy programs work to strengthen the connection between public policy and Earth system science and services by building policy research and by creating opportunities for policymakers and scientists to engage and exchange perspectives to foster better-informed policy decisions. In addition, this includes the production and sale of books published by the Society, distribution throughout North America of WMO publications and sale of educational material for pre-college teachers.

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses (Continued)

Meetings and Exhibits

Includes presenting various meetings throughout the year including the annual meeting and the related exhibits. It also includes short courses offered at the various meetings.

Membership and Communication

Includes all primary member services, including, among others, the maintenance of the membership database, the certification programs, and the publication of the Bulletin.

Student Programs

Includes the granting and administration of the many undergraduate scholarships and graduate fellowships offered by the Society, and support for other student programs, such as student travel grants to scientific conferences and the annual AMS Student Conference.

Administrative and General

Includes the functions necessary to maintain a portion of an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Society's program strategy through the Office of the Executive Director; secure proper administrative functioning of the Council; maintain competent legal services for the program administration of the Society; and manage the financial and budgetary responsibilities of the Society.

Development

Includes conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

Advertising - The Society uses advertising to promote its programs, bulletins, journals, books, and education materials among the audiences it serves. The production costs of advertising are expensed as incurred.

Income Tax Status - The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income. The Society had no material unrelated business income for the year ended December 31, 2020.

In determining the recognition of uncertain tax positions, the Society applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities. As of December 31, 2020, the Society has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Society is not currently under examination by any taxing jurisdiction. The Society's federal and state tax returns are generally open for examination for three years following the date filed.

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk - The Society places its cash in institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). At times during the year, the bank balances may be in excess of the FDIC insurance limit of \$250,000 per institution. At December 31, 2020, the Society's bank balances exceeded the FDIC limit by approximately \$3,280,000. The Society also holds various investment funds in a combination of long-term cash and cash equivalents, fixed income, equity securities, and common stocks. At December 31, 2020, the Society had \$8,946,855 in brokerage accounts, which were not insured and subject to various risks, such as interest rate, market and credit risks.

Subsequent Events - The date to which events occurring after December 31, 2020 have been evaluated for possible adjustment to the financial statements or disclosure is the date of the Independent Auditor's Report which is the date the financial statements were available to be issued.

Recently Issued Accounting Pronouncement Not Yet Adopted - FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2022. The Society is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 2 - Availability and Liquidity

The Society strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments. The Society also has a \$500,000 line of credit to meet cash flow needs.

The Society receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. The Society also receives support without donor restrictions.

The Society considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and development expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Society's fiscal year.

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 2 - Availability and Liquidity (Continued)

The Society manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Society.

The table below presents financial assets available for general expenditures within one year at December 31, 2020:

| | | |
|--|----|-------------------------|
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$ | 3,632,711 |
| Accounts receivable | | 811,216 |
| Pledges receivable | | 219,335 |
| Investments | | <u>8,946,855</u> |
| Total financial assets | | <u>13,610,117</u> |
| Less amounts not available to be used within one year: | | |
| Collateral under security lending agreements | | 500,000 |
| Net assets with donor restrictions | | 5,239,989 |
| Less estimated net assets with purpose or time restrictions to be met in less than one year and estimated appropriation of cumulative gains. | | <u>(160,000)</u> |
| Financial assets not available to be used within one year | | <u>5,579,989</u> |
| Financial assets available to meet general expenditures within one year | \$ | <u><u>8,030,128</u></u> |

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 3 - Pledges Receivable

At December 31, 2020, pledges receivable consist of the following:

| | |
|--------------------------------------|--------------------------|
| Pledges expected to be collected in: | |
| Less than one year | \$ 107,577 |
| One to five years | 129,651 |
| | <u>237,228</u> |
| Less present value discount | <u>17,893</u> |
| Pledges receivable, net | \$ <u><u>219,335</u></u> |

Note 4 - Investments

The cost and fair value of investments at December 31, 2020 were as follows:

| | <u>Cost</u> | <u>Fair Value</u> |
|---------------------------|----------------------------|----------------------------|
| Mutual funds/ETF | \$ 4,155,677 | \$ 5,686,391 |
| Cash and cash equivalents | 213,992 | 213,992 |
| Fixed income | 966,660 | 1,024,688 |
| Common stock | <u>1,315,870</u> | <u>2,021,784</u> |
| | \$ <u><u>6,652,199</u></u> | \$ <u><u>8,946,855</u></u> |

Investment income for the year ended December 31, 2020 consists of the following:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> |
|------------------------------------|--|---|
| Investment income | \$ 48,190 | \$ 87,962 |
| Realized and unrealized gains, net | <u>405,046</u> | <u>612,267</u> |
| Total | \$ <u><u>453,236</u></u> | \$ <u><u>700,229</u></u> |

Note 5 - Fair Value

Fair value is defined under U.S. GAAP as the price that would be received to sell an asset, or paid to transfer a liability, in orderly transactions between market participants. Further, the Society is required to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements. The hierarchy of valuation techniques is based on whether inputs to a fair value measurement are observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Society's market assumptions.

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 5 - Fair Value (Continued)

This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

Level 1 - Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical unrestricted assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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. The guidance requires the use of observable data if such data is available without undue cost and effort.

Following is a description of the Society's valuation methodologies for assets measured at fair value.

Cash and Cash Equivalents - These investments are valued at the daily closing price as reported by the investment broker. Investments in long-term cash and cash equivalents are classified as Level 1 of the valuation hierarchy.

Common Stocks - These investments are valued at the closing price reported on the active market on which the individual securities are traded. Investments in common stock are classified as Level 1 of the valuation hierarchy.

Mutual Funds/ETFs - These investments are public investment vehicles valued using the Net Asset Value ("NAV") provided by the administrator of the fund and calculated at the close of business on the NYSE. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Investments in mutual funds are classified within Level 1 of the valuation hierarchy.

Fixed Income - These investments are valued at the closing price of the active market in which the individual securities are traded. Investments in fixed income securities are classified as Level 1 of the valuation hierarchy.

Although the Society believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 5 - Fair Value (Continued)

The following table summarizes by level, within the fair value hierarchy, the Society's financial assets and liabilities measured at fair value on a recurring basis in accordance with U.S. GAAP as of December 31, 2020:

Assets at Fair Value

Level 1

| | | |
|------------------------------|----|------------------|
| Cash and cash equivalents | \$ | 213,992 |
| Common stocks: | | |
| Health care | | 478,234 |
| Financial services | | 463,964 |
| Technology | | 410,664 |
| Industrials | | 198,924 |
| Consumer defensive | | 163,152 |
| Consumer cyclical | | 145,054 |
| Energy | | 74,583 |
| Basic materials | | 40,459 |
| Other | | 46,750 |
| Mutual Funds/ ETFs: | | |
| Large blend | | 1,068,732 |
| International large blend | | 604,353 |
| Small blend | | 709,006 |
| Real estate | | 394,952 |
| Large growth | | 514,750 |
| International large growth | | 506,532 |
| Mid-cap blend | | 378,138 |
| Diversified emerging markets | | 370,969 |
| Intermediate-term bond | | 182,474 |
| Market neutral | | 237,311 |
| Inflation protected bond | | 180,430 |
| Short-term bond | | 159,518 |
| Pacific/Asia ex-Japan Stk | | 128,577 |
| Options based | | 97,110 |
| Nontraditional bond | | 66,154 |
| Large value | | 57,222 |
| Mid-cap growth | | 28,807 |
| Fixed income: | | |
| Intermediate-term bond | | 467,037 |
| Inflation protected bond | | 52,122 |
| Short-term bond | | 192,114 |
| Other | | 314,771 |
| | \$ | <u>8,946,855</u> |

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 5 - Fair Value (Continued)

Liabilities at Fair Value

Level 2

| | |
|--------------------|-------------------|
| Interest rate swap | \$ <u>118,848</u> |
|--------------------|-------------------|

Note 6 - Property and Equipment

Property and equipment consist of the following at December 31, 2020:

| | |
|--------------------------------|---------------------|
| Buildings and improvements | \$ 8,962,096 |
| Land and land improvements | 3,864,120 |
| Software | 1,749,192 |
| Office equipment and furniture | <u>937,282</u> |
| | 15,512,690 |
| Less: accumulated depreciation | <u>5,993,090</u> |
| Property and equipment, net | \$ <u>9,519,600</u> |

Note 7 - Note Payable, Bank

The Society has a revolving line of credit agreement with a bank in the amount of \$500,000. Interest is charged at a rate of LIBOR plus 2.25%. The line of credit is secured and cross collateralized with the tax-exempt bond financing and by a first security interest in all assets of the Society, inclusive of a cash collateral account of \$500,000. The line of credit agreement contains financial and other covenants including a maximum leverage provision. During October 2020, the Society entered into an extension agreement to extend the termination date to October 31, 2021. This extension agreement also waived the Fixed Charge Coverage financial covenant ratio for the year ended December 31, 2020. At December 31, 2020, there was no outstanding balance on the revolving line of credit. Interest expense for the year ended December 31, 2020 amounted to approximately \$5,000.

Note 8 - Long-Term Debt

The Society entered into a loan agreement with the Massachusetts Development Finance Agency, (the "Issuer"), a public instrumentality of the Commonwealth of Massachusetts in 2010. The note was issued with bonds, by and among the Issuer, the Society, Webster Massachusetts Security Corporation, (the "Bondholder"), and Webster Bank National Association (the "Bank"). The note is payable in monthly installments of \$15,278 plus interest through November 2040. The interest rate on the note is set by the Bank and will be reset from time to time. At December 31, 2020, the interest rate was 2.38750%. Interest expense for the year ended December 31, 2020 totaled \$113,287. The bond is secured by the land and building located at 44 Beacon Street, Boston, Massachusetts with a net book value of \$6,603,346 at December 31, 2020. The note is subject to the same covenants, security, and cross collateralization as the line of credit. (Reference is made to Note 7.)

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 8 - Long-Term Debt (Continued)

Maturities of long-term debt at December 31, 2020 consist of the following:

| <u>Years</u> | | <u>Amount</u> |
|---------------------------------------|----|-------------------------|
| 2021 | \$ | 183,333 |
| 2022 | | 183,333 |
| 2023 | | 183,333 |
| 2024 | | 183,333 |
| 2025 | | 183,333 |
| Thereafter | | <u>2,734,723</u> |
| | | <u>3,651,388</u> |
| Less: unamortized debt issuance costs | | <u>16,608</u> |
| Long term debt, net | \$ | <u><u>3,634,780</u></u> |

Note 9 - Interest Rate Swap Agreement

The Society has an interest rate swap to mitigate the risk of changes in interest rates associated with its variable interest rate indebtedness. At December 31, 2020, the aggregate notional amount totaled \$3,651,388. The Society's agreement effectively changes the interest rate exposure on its bond payable to a fixed rate of 1.03%. During May 2020, the Society amended its interest rate swap agreement with the bank to extend the termination date of the agreement to November 2030. U.S. GAAP requires the Society to recognize a gain or loss on the change in the fair market value of the swap agreement. The Society recognized a loss of \$83,972 on the change in the fair value of the swap agreement during the year ended December 31, 2020.

Note 10 - Note Payable, PPP Loan

During April 2020, the Society was granted a loan from Bank of America in the amount of \$1,409,142, pursuant to the Paycheck Protection Program ("PPP") as provided for in the Federal CARES Act. The CARES Act allows for the loan to be forgiven if certain conditions are met.

The loan matures on April 24, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on August 24, 2021, unless forgiven. The note may be prepaid by the Society at any time prior to maturity with no prepayment penalties. To qualify for forgiveness, funds from the loan may only be used for payroll costs, employee benefits, rent and utilities, and certain wage and employment levels need to be maintained. The Society utilized the entire loan amount for qualifying expenses.

The PPP note is unsecured and guaranteed by the SBA. Subsequent to December 31, 2020, the Society applied for and was granted forgiveness on the loan in the amount of \$1,409,142. According to management this is the amount of eligible expense payments incurred by the Society during the twenty-four-week period beginning upon receipt of PPP term note funds, calculated in accordance with the terms of the CARES Act. The Society will recognize a gain on extinguishment of debt in the amount of \$1,409,142 during year ending December 31, 2021.

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 11 - Split Interest Agreements

The Society administers various charitable gift annuities. A charitable gift annuity provides for the payment of distributions to the grantor or other designated beneficiaries over the trust term (usually the designated beneficiary's lifetime). The portion of the gift annuity attributable to the present value of the future benefits to be received by the Society is recorded in the Statement of Activities as a contribution with donor restrictions in the period the gift annuity is established. Assets held in the various charitable gift annuities totaled approximately \$318,000 at December 31, 2020 and are recorded at fair value in the Society's Statement of Financial Position.

On an annual basis, the Society revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments totals approximately \$189,000 at December 31, 2020 and is calculated using discount rates ranging between 4.7% and 7.2% and applicable mortality tables.

Note 12 - Compensated Absences

It is the Society's policy to reasonably estimate each year the amount of accrued vacation compensation that it anticipates paying in the future. As of December 31, 2020, the Society has an accrued liability of approximately \$660,000 related to this policy, which is included in accounts payable and accrued expenses in the Statement of Financial Position.

Note 13 - Retirement Plan

The Society has a contributory retirement plan covering substantially all full-time employees. This is a tax deferred annuity plan under Section 403(b) of the U.S. Internal Revenue Code. The plan allows eligible employees to contribute up to 100% of eligible compensation through a salary reduction agreement, up to the maximum permitted by the Internal Revenue Code.

The Society contributes 10% of eligible compensation for participating employees who contribute at least 5% of eligible compensation. The Society's contribution to the plan amounted to approximately \$541,000 for the year ended December 31, 2020. Plan administrative expenses amounted to approximately \$5,000 for the year ended December 31, 2020.

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

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 14 - Commitments

The Society leases office space and equipment under various operating leases through March 2027. Under the terms of the office space lease, the Society is obligated to pay escalation rental for certain operating expenses and real estate taxes. Escalating rents are recognized on a straight-line basis over the term of the lease in accordance with U.S. GAAP. The difference between rent expense and payments made under the lease are reflected as deferred rent. Rental expense, including related operating expenses and taxes, amounted to approximately \$380,000 for the year ended December 31, 2020.

The following is a schedule of the approximate future minimum rentals under the leases at December 31, 2020:

| <u>Years</u> | <u>Amount</u> |
|--------------|----------------------------|
| 2021 | 340,000 |
| 2022 | 350,000 |
| 2023 | 350,000 |
| 2024 | 360,000 |
| 2025 | 370,000 |
| Thereafter | <u>480,000</u> |
| | \$ <u><u>2,250,000</u></u> |

Note 15 - Endowment Funds

The Society's endowment consists of various individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds including funds designated by the Executive Committee to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. When the donor's interest is not expressed in relation to the endowment fund, it is the policy of the Society to record the income, interest, and dividends and accumulated appreciation/depreciation in each endowment fund and appropriate expenditures from each fund in a prudent manner for the uses, benefits, purpose, and duration for which the endowment fund was established. As a result, the income earned each year for each endowment fund is reflected as income with donor restrictions until appropriated for use.

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 15 - Endowment Funds (Continued)

The Society is subject to the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions as though net assets are time restricted until the Executive Committee appropriates such amounts for expenditure. Most of these net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to assets without donor restrictions. The Executive Committee of the Society has interpreted UPMIFA as requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Society considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Society has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the various funds.
- 2) The purposes of the Society and the donor-restricted endowment funds.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of the Society.
- 7) The investment policies of the Society.

Investments and Spending Policies - The Society has adopted investment and spending policies approved by the Executive Committee for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity. Under this policy, as approved by the Executive Committee, the endowment assets are invested in a manner that is intended to contribute to the Society's total return objectives and preserve principal while maintaining a competitive yield as market conditions dictate.

Investments and Spending Policies (Continued) - To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified conservative asset allocation including equity and marketable debt securities to achieve its long-term return objectives within prudent risk constraints.

The Society's policy of appropriating for distributions of its endowment fund for scholarships, fellowships and other distribution of funds is determined based on the donor's intentions and investment returns as well as taking into consideration the long-term expected return on its endowment, the nature and duration of the individual endowment funds, and the possible effects of inflation. Accordingly, over the long-term, the Society expects the current spending policy to allow its endowment to grow at a normal inflationary rate on an annual basis. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional growth through new gifts and investment return.

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 15 - Endowment Funds (Continued)

Underwater Endowment Funds - 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 MA UPMIFA requires the Society to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies of this nature at December 31, 2020.

The changes in endowment net assets for year ended December 31, 2020 are as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|--|---|---------------------|
| Endowment net assets, beginning of year | \$ - | \$ 1,799,517 | \$ 1,799,517 |
| Investment income | - | 319,990 | 319,990 |
| Contributions | - | 93,011 | 93,011 |
| Appropriation of cumulative gains | - | (58,696) | (58,696) |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 2,153,822</u> | <u>\$ 2,153,822</u> |

Note 16 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2020:

Endowment Funds (including historical gift value of \$1,318,253)

Specific Purpose

| | |
|----------------------|------------------|
| Scholarship awards | \$ 2,132,282 |
| Student paper awards | 21,540 |
| | <u>2,153,822</u> |

Other Donor Restricted Funds

Specific Purpose

| | |
|------------------------|------------------|
| Scholarship awards | 1,811,140 |
| Hydrology research | 248,014 |
| Remote sensing awards | 144,119 |
| Lecture series awards | 51,014 |
| Student travel awards | 180,929 |
| Centennial initiatives | 113,274 |
| | <u>2,548,490</u> |

Passage of Time

| | |
|---------------------------|---------------------|
| Charitable gift annuities | 318,342 |
| Pledges receivable | 219,335 |
| | <u>537,677</u> |
| | <u>\$ 5,239,989</u> |

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Note 16 - Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified by donors:

Purpose restrictions accomplished:

| | | |
|------------------------|----|---------------|
| Scholarship awards | \$ | 65,576 |
| Hydrology research | | 1,378 |
| Remote sensing awards | | 5,802 |
| Lecture series awards | | 662 |
| Student travel awards | | 996 |
| Centennial initiatives | | 200 |
| | | <u>74,614</u> |

Time restrictions expired:

| | | |
|------------------------------|--|---------------|
| Charitable gift annuities | | 21,765 |
| Other time restricted awards | | 9,557 |
| | | <u>31,322</u> |

Release of appropriated amounts with purpose restrictions:

| | | |
|----------------------|----|-----------------------|
| Scholarship awards | | 58,578 |
| Student paper awards | | 118 |
| | | <u>58,696</u> |
| | \$ | <u><u>164,632</u></u> |

Note 17 - COVID-19

The COVID-19 outbreak has continued to cause business disruption worldwide. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. Management is uncertain if this matter will have a negative impact on the Society's operating results in the future. As a result, the potential related financial impact and duration cannot be reasonably estimated at this time.

AMERICAN METEOROLOGICAL SOCIETY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

| Federal Grantor / Pass-Through Grantor / Program or Cluster Title | Federal CFDA Number | Grant Award Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|------------------------------------|-----------------------------------|--|---|
| <u>Research and Development Cluster</u> | | | | |
| Department of Commerce: | | | | |
| Climate and Atmospheric Research | | | | |
| Tailored Scientific Assessment: Meeting National Information Needs in Weather and Climate | | | | |
| | 11.431 | NA20OAR4310373 | \$ - | \$ 13,887 |
| Hydrologic Research | | | | |
| Societal benefits of Earth system observations, science, and services: Valuation and the weather, water, and climate enterprise | | | | |
| | 11.462 | NA19NWS4620018 | - | 127,091 |
| <i>Total Department of Commerce</i> | | | - | 140,978 |
| National Science Foundation: | | | | |
| Geosciences | | | | |
| AMS Summer Policy Colloquium 2018-2021 | | | | |
| | 47.050 | AGS-1753735 | - | 113,400 |
| <i>Total Research and Development Cluster</i> | | | - | 254,378 |
| <u>Other Programs</u> | | | | |
| National Oceanic and Atmospheric Administration: | | | | |
| NOAA Mission-Related Education Awards | | | | |
| AMS/NOAA Cooperative Program for Earth System Education: Supporting DataStreme Teacher Professional Development and Atmosphere and Oceanic Science Public Literacy and Workforce Development | | | | |
| | 11.008 | NA17SEC0080003 | 83,956 | 326,291 |
| Department of Defense: | | | | |
| Basic and Applied Scientific Research | | | | |
| The Maury Project: Pre-College Teacher Training in the Physical Foundations of Oceanography | | | | |
| | 12.300 | N00014-17-1-2366 | - | 28,325 |
| Project Ocean: K-12 Teacher Professional Development in Physical Oceanography | | | | |
| | 12.300 | N00014-20-1-2384 | - | 56,368 |
| <i>Total National Aeronautical and Space Administration</i> | | | - | 84,693 |
| National Aeronautical and Space Administration: | | | | |
| Science | | | | |
| Leveraging NASA Earth Science Disaster Program Resources to Broaden the AMS Project Atmosphere K - 12 Teacher Professional Development Course | | | | |
| | 43.001 | 80NSSC19K0735 | - | 34,716 |
| Enhanced Earth System Observations and Science: Analytic Needs and Workforce Opportunities | | | | |
| | 43.001 | 80NSSC20K0015 | - | 86,001 |
| <i>Total National Aeronautical and Space Administration</i> | | | - | 120,717 |
| <i>Total Other Programs</i> | | | 83,956 | 531,701 |
| Total Expenditures of Federal Awards | | | \$ 83,956 | \$ 786,079 |

AMERICAN METEOROLOGICAL SOCIETY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of American Meteorological Society under programs of the federal government for the year ended December 31, 2020. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of American Meteorological Society, it is not intended to and does not present the financial position, changes in net assets, or cash flows of American Meteorological Society.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

American Meteorological Society has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance but is subject instead to previous negotiated indirect cost rates.

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*

To the Executive Committee
American Meteorological Society
Boston, Massachusetts

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 American Meteorological Society (the “Society”) (a non-profit organization), which comprise the statement of financial position as of December 31, 2020, 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 September 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society’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 the Society’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Society’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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Society’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*.

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Certified Public Accountants & Consultants

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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 Society'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 Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tonneson & Company, PC

Wakefield, Massachusetts
September 8, 2021

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

To the Executive Committee
American Meteorological Society
Boston, Massachusetts

Report on Compliance for Major Federal Program

We have audited American Meteorological Society’s (the “Society’s”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Society’s major federal program for the year ended December 31, 2020. The Society’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Society’s major federal program based on our audit of the types of compliance requirements referred to above. 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 contain 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Society’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Society’s major federal program. However, our audit does not provide a legal determination of the Society’s compliance.

Opinion on Major Federal Program

In our opinion, the Society complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal program is not modified with respect to this matter.

The Society's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Society is also responsible for preparing a corrective action plan to address the audit finding included in our auditor's report. The Society's response and corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or corrective action plan.

Report on Internal Control Over Compliance

Management of the Society is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Society's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Society's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Tonneson & Company, PC

Wakefield, Massachusetts
September 8, 2021

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AMERICAN METEOROLOGICAL SOCIETY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

| | | | |
|---|-----------|---------|---------------|
| Material weakness(es) identified? | _____ yes | _____ X | none reported |
| Significant deficiency(ies) identified? | _____ yes | _____ X | none reported |

| | | | |
|---|-----------|---------|----|
| Noncompliance material to financial statements noted? | _____ yes | _____ X | no |
|---|-----------|---------|----|

Federal Awards

Internal control over major federal program:

| | | | |
|---|-----------|---------|---------------|
| Material weakness(es) identified? | _____ yes | _____ X | none reported |
| Significant deficiency(ies) identified? | _____ yes | _____ X | none reported |

Type of auditor's report issued on compliance for major federal program: Unmodified

| | | | |
|--|---------|-----------|----|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _____ X | _____ yes | no |
|--|---------|-----------|----|

Identification of major program:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 11.008 | NOAA Mission-Related Education Awards |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

| | | | |
|--|---------|-----------|----|
| Auditee qualified as low-risk auditee? | _____ X | _____ yes | no |
|--|---------|-----------|----|

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

See finding 2020-001

AMERICAN METEOROLOGICAL SOCIETY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

Finding 2020-001

Federal Agency: National Oceanic and Atmospheric Administration

Project Title: AMS/NOAA Cooperative Program for Earth System Education: Supporting DataStreme Teacher Professional Development and Atmosphere and Oceanic Science Public Literacy and Workforce Development

CFDA Number: 11.008

Federal Award Number: NA17SEC0080003

Award Period: 10/01/2017 – 9/30/2022

Criteria

The Society annually submits an indirect cost rate proposal to their cognizant agency, the National Oceanic and Atmospheric Administration (NOAA). NOAA has instructed the Society to use the indirect rate cited in the annual proposal until such time as a review of the proposal has been completed by NOAA and an Indirect Cost Rate Agreement is executed.

Condition/Context

The Society inadvertently continued to charge costs based on the indirect cost rate established at the inception of this grant and did not update the rate to the indirect cost rate cited in their subsequent proposals.

During our audit, we randomly tested the indirect cost rate utilized for one reimbursement request. The rate utilized had not been updated to the rate cited in the most recent proposal. Upon further inquiry, we determined that the indirect cost rates utilized for all reimbursement requests made during the years 2017 through 2020 had not been updated to the rates cited in the respective subsequent annual proposals. The amount charged in excess of the indirect cost rates cited in the annual proposals for the period cited above summed to \$36,684. The Society returned these funds to NOAA during August 2021. This appears to have been an isolated incident limited to this one grant. We did not note any other instances in the other grants under service during this period.

Effect

The Society is not in compliance with the allowable costs/costs principles set forth by the OMB Uniform Guidance.

Whether Sampling was Statistically Valid

The sample was not intended to be, and was not, a statistically valid sample.

Questioned Costs

None. The funds have been returned to NOAA.

AMERICAN METEOROLOGICAL SOCIETY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

Repeat Finding

No.

Recommendation

The Society should strengthen their controls to verify the indirect costs are charged to the grant at the rate in effect for each year.

View of Responsible Officials

Management agrees with the finding and has returned the funds. The Society has reviewed and revisited its policies and procedures related to this finding.

AMERICAN METEOROLOGICAL SOCIETY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020

Finding 2019-001

Federal Program: Not applicable

Condition

The Society did not recognize certain pledges receivable at December 31, 2019 or the related revenue during the year ended December 31, 2019 for the uncollected amount of written unconditional pledges with multiple annual installments that were awarded during the year.

Questioned Costs

Not applicable.

Status

Management of the Society has reviewed and revised as necessary their policies and procedures relating to recording pledges receivable with multiple annual installments to ensure errors are prevented, and if not prevented, detected on a timely basis.



AMERICAN METEOROLOGICAL SOCIETY

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Finding: 2020-001

Name of Contact Person: Joseph J. Boyd, CFO

Corrective Action: It was discovered during the current year audit that the Society had inadvertently failed to update its utilized indirect cost rate to the applicable most current indirect cost rate on one of its federal grants under service during the years 2017 through 2020. This oversight resulted in a cumulative excess amount charged summing to \$36,684 over this same period.

Once discovered, the Society took immediate action to remedy this oversight by first contacting the relevant funding agency (NOAA) to inform them of this error, followed by the immediate return of all excess funds.

A review of the factors contributing to this oversight revealed the primary causes and circumstances, and substantive corrective action has already taken place in the form of those mentioned above, as well as the implementation of several additional internal procedures designed specifically to avoid future errors.

Proposed Completion Date: September 6, 2021