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**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2018**



## **Independent Auditors' Report**

The Board of Directors  
Audubon Naturalist Society of the  
Central Atlantic States, Inc.  
Chevy Chase, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Audubon Naturalist Society of the Central Atlantic States, Inc., (the "Society") which comprise the statement of financial position as of August 31, 2018 and the related statements of activities 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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.

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The Board of Directors  
Audubon Naturalist Society of the  
Central Atlantic States, Inc.  
Chevy Chase, Maryland

## **Report on the Financial Statements (Continued)**

### ***Auditors' Responsibility (Continued)***

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 Audubon Naturalist Society of the Central Atlantic States, Inc., as of August 31, 2018, 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 Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses 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.

### **Report on Summarized Comparative Information**

We have previously audited the Society's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bethesda, Maryland  
January 30, 2019

Certified Public Accountants

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**Audubon Naturalist Society of the Central Atlantic States, Inc.**

**Statement of Financial Position**  
**August 31, 2018**  
**With Comparative Totals As of August 31, 2017**

	2018			2017
	Operating	Nature For All	Total	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 2,102,300	\$ 499,192	\$ 2,601,492	\$ 1,064,207
Accounts Receivable	6,320	-	6,320	12,221
Promises to Give (Pledges)	164,250	379,864	544,114	388,509
Inventory	321,249	-	321,249	297,355
Prepaid Expenses	88,284	-	88,284	50,191
Investments	2,878,121	-	2,878,121	2,743,695
Property and Equipment, Net	2,690,478	-	2,690,478	2,567,785
<b>Total Assets</b>	<b>\$ 8,251,002</b>	<b>\$ 879,056</b>	<b>\$ 9,130,058</b>	<b>\$ 7,123,963</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts Payable and Accrued Expenses	\$ 330,150	\$ -	\$ 330,150	\$ 221,755
Deferred Revenues	675,272	-	675,272	598,913
Note Payable	171,684	-	171,684	218,628
Total Liabilities	1,177,106	-	1,177,106	1,039,296
<b>Net Assets</b>				
Unrestricted	1,624,211	-	1,624,211	1,603,557
Unrestricted - Property and Equipment	2,690,478	-	2,690,478	2,567,785
Unrestricted - Board Designated	1,116,450	250,000	1,366,450	-
Total Unrestricted Net Assets	5,431,139	250,000	5,681,139	4,171,342
Temporarily Restricted Net Assets	923,033	629,056	1,552,089	1,193,601
Permanently Restricted Net Assets	719,724	-	719,724	719,724
Total Net Assets	7,073,896	879,056	7,952,952	6,084,667
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,251,002</b>	<b>\$ 879,056</b>	<b>\$ 9,130,058</b>	<b>\$ 7,123,963</b>

**Audubon Naturalist Society of the Central Atlantic States, Inc.**

**Statement of Activities  
For The Year Ending August 31, 2018  
With Comparative Totals For the Year Ended August 31, 2017**

	<b>2018</b>			<b>Total</b>	2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support and Revenues</b>					
Membership Dues	\$ 207,474	\$ -	\$ -	\$ <b>207,474</b>	\$ 200,404
Contributions and Grants	2,061,927	1,350,038	-	<b>3,411,965</b>	2,147,842
Tuition, Tours, and Field Trips	1,386,842	-	-	<b>1,386,842</b>	1,288,417
Sanctuary Shop (Net of Cost of Sales of \$300,864)	179,207	-	-	<b>179,207</b>	164,759
Rent	607,677	-	-	<b>607,677</b>	423,003
Advertising and Other Revenue	3,528	-	-	<b>3,528</b>	2,929
Dividends, Interest, and Realized Gains (Losses)	91,191	50,355	-	<b>141,546</b>	97,091
Temporarily Restricted Net Assets Released from Restrictions	1,039,611	(1,039,611)	-	-	-
Total Support and Revenues	<u>5,577,457</u>	<u>360,782</u>	<u>-</u>	<u><b>5,938,239</b></u>	<u>4,324,445</u>
<b>Expenses</b>					
Program Services					
Sanctuaries	737,845	-	-	<b>737,845</b>	584,904
Sanctuary Projects	253,065	-	-	<b>253,065</b>	128,390
Membership Services	545,970	-	-	<b>545,970</b>	397,579
Environmental Education	1,727,733	-	-	<b>1,727,733</b>	1,548,961
Conservation Programs	359,256	-	-	<b>359,256</b>	576,525
Total Program Services	<u>3,623,869</u>	<u>-</u>	<u>-</u>	<u><b>3,623,869</b></u>	<u>3,236,359</u>
Supporting Services					
Fundraising	367,006	-	-	<b>367,006</b>	405,919
General and Administrative	165,866	-	-	<b>165,866</b>	144,001
Total Supporting Services	<u>532,872</u>	<u>-</u>	<u>-</u>	<u><b>532,872</b></u>	<u>549,920</u>
Total Expenses	<u>4,156,741</u>	<u>-</u>	<u>-</u>	<u><b>4,156,741</b></u>	<u>3,786,279</u>
Increase (Decrease) in Net Assets from Operations	1,420,716	360,782	-	<b>1,781,498</b>	538,166
Net Unrealized Gains (Losses) on Investments	89,081	(2,294)	-	<b>86,787</b>	196,217
Changes in Net Assets	1,509,797	358,488	-	<b>1,868,285</b>	734,383
Net Assets, Beginning of Period	<u>4,171,342</u>	<u>1,193,601</u>	<u>719,724</u>	<u><b>6,084,667</b></u>	<u>5,350,284</u>
<b>Net Assets, End of Period</b>	<u>\$ 5,681,139</u>	<u>\$ 1,552,089</u>	<u>\$ 719,724</u>	<u><b>\$ 7,952,952</b></u>	<u>\$ 6,084,667</u>

*See accompanying Notes to Financial Statements.*

**Statement of Cash Flows**  
**For The Year Ending August 31, 2018**  
**With Comparative Totals For the Year Ended August 31, 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	<b>\$ 1,868,285</b>	\$ 734,383
Adjustments to Reconcile Change in Net Assets to Net Cash Used in (Provided by) Operating Activities		
Depreciation	<b>119,903</b>	102,613
Net (Gains) Losses on Investments	<b>(135,198)</b>	(217,867)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	<b>5,901</b>	1,912
Promises to Give	<b>(155,605)</b>	(197,150)
Inventory	<b>(23,894)</b>	(34,184)
Prepaid Expenses	<b>(38,093)</b>	(31,373)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	<b>108,395</b>	24,084
Deferred Revenues	<b>76,359</b>	114,965
Net Cash Provided by Operating Activities	<b>1,826,053</b>	497,383
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	<b>(242,596)</b>	(449,830)
Purchases of Investments	<b>(729,287)</b>	(604,439)
Sales and Maturities of Investments	<b>730,059</b>	558,966
Net Cash Used in Investing Activities	<b>(241,824)</b>	(495,303)
<b>Cash Flows from Financing Activities</b>		
Proceeds from Note Payable	-	248,199
Principal Payments on Note Payable	<b>(46,944)</b>	(29,571)
Net Cash Provided by (Used in) Financing Activities	<b>(46,944)</b>	218,628
Net Increase (Decrease) in Cash and Cash Equivalents	<b>1,537,285</b>	220,708
Cash and Cash Equivalents, Beginning of Period	<b>1,064,207</b>	843,499
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 2,601,492</b>	\$ 1,064,207

*See accompanying Notes to Financial Statements.*

# **Audubon Naturalist Society of the Central Atlantic States, Inc.**

## **Notes to Financial Statements August 31, 2018**

### **1. ORGANIZATION AND PURPOSE**

Audubon Naturalist Society of the Central Atlantic States, Inc., (the "Society") is a not-for-profit environmental, educational and conservation organization serving residents of the Washington, D.C., Metropolitan region. Founded in 1897, the Society seeks to inspire residents of the region to appreciate, understand and protect the natural environment through outdoor experiences, education and advocacy by creating a larger and more diverse community of people who treasure the natural world and work to preserve it. The Society's activities include environmental education, conservation advocacy, events, general operations and a Naturalist shop located at headquarters at Woodend Nature Sanctuary (Chevy Chase, Maryland). The Rust (Leesburg, Virginia) Nature Sanctuary supports the Society's environmental, educational and conservation programs.

During 2018, the Society launched Nature For All which is the Woodend Nature Sanctuary restoration project.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The Society prepares its financial statements on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recognized when the obligations are incurred.

The Society reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year ended August 31, 2018. Actual results could differ from those estimates.

#### **Cash Equivalents**

The Society considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

#### **Inventory**

Inventory is stated at the lower of cost or market value and consists primarily of nature related books and field guides, bird feeders, nature related gifts, optics, cards, garments and birdseed. Cost is determined using the average cost of similar inventory items.

# **Audubon Naturalist Society of the Central Atlantic States, Inc.**

## **Notes to Financial Statements August 31, 2018**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Investments**

The Society carries equity and debt securities at fair market value. Any changes in value are recognized in the statements of activities and changes in net assets.

#### **Promises to Give**

Unconditional promises to give are recognized as support in the period received. Promises to give made to the Society for future contributions expected to be fully collectible are recorded as a receivable and as support at the present value of such future payments. Conditional promises to give are recognized as support when the conditions on which they depend are substantially met.

#### **Contributions and Contributed Property**

Contributions are recognized as support when they are received or unconditionally promised. The Society reports in-kind gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Marketable securities acquired by donation are initially recorded at their fair market value at the date of donation.

#### **Property and Equipment**

Property and equipment in excess of \$2,500 are recorded at cost. Buildings, building improvements, furniture and equipment are depreciated under the straight-line method over their estimated economic useful lives. Buildings are depreciated over useful lives of 40 years and building improvements, furniture and equipment are depreciated over 3 to 15 years.

The Society has a 40-year lease agreement with the Northern Virginia Regional Park Authority (NVRPA) for operating the Rust Sanctuary. NVRPA will be responsible for maintaining the buildings and grounds, managing the rental program and most of the operating costs. The Society will continue to own the sanctuary and conduct environmental education programs there. The Society will continue to collaborate with the Virginia Outdoors Foundation regarding the conservation easement at the 68 acre sanctuary. The Rust Family Foundation and KBR Foundation contributed financial support to an environmental education partnership with Loudoun County Public Schools through which the Society will deliver a program to area children called Rust Watershed Adventures.

The Society will continue to own the sanctuary and therefore the Rust Sanctuary is recorded as an asset.

#### **Deferred Revenue**

Rental, tuition, tours and field trip fees collected in advance are reported as deferred revenues in the accompanying statement of financial position.



# **Audubon Naturalist Society of the Central Atlantic States, Inc.**

## **Notes to Financial Statements August 31, 2018**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Functional Allocation of Expenses**

The costs of providing the Society's various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Income Tax Status**

The Society is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code.

The Society follows the Financial Accounting Standards Board Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in the Society's financial statements, if any. As of August 31, 2018, the Society had no unrecognized tax benefits related to uncertain tax positions in its information return that would qualify for either recognition or disclosure in its financial statements.

The Society's policy would be to recognize interest and penalties on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. Through August 31, 2018, there have been no matters that would have resulted in an accrual for interest and/or penalties.

Generally, the tax years before 2015 are no longer subject to examination by federal, state, or local taxing authorities.

#### **Comparative Information**

The financial statements include certain prior-year summarized information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended August 31, 2017, from which the summarized information was derived.

#### **New Accounting Pronouncements**

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. The new standard clarifies net asset reporting, requires presentation of expenses in both natural and functional classifications, and provides for additional disclosure requirements related to an entity's liquidity, financial performance and availability of resources. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after January 1, 2018.

# Audubon Naturalist Society of the Central Atlantic States, Inc.

## Notes to Financial Statements August 31, 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### New Accounting Pronouncements (Continued)

In May 2014, the FASB issued a new standard, ASU 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. The core principle of the standard is that an entity should recognize revenue when it satisfies a performance obligation at an amount that reflects the consideration the entity expects to receive in exchange for transferring goods or services.

In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard will be effective for the fiscal year beginning after January 1, 2019.

In February 2016, the FASB issued ASU 2016-02, Lease Amendments to the FASB Accounting Standards Codification (Topic 842), which amends the recognition of lease assets by organizations. The new standards require a lessee to recognize assets and liabilities for leases with lease terms of 12 or more months, in addition to modifications improvements on lessor accounting, in conjunction with the new guidance on revenue recognition noted above in ASU-2014-09. Additional disclosures will be required for the amount, timing, and uncertainty of cash flows arising from leases, and the standard will be effective for fiscal years beginning after January 1, 2020.

#### Subsequent Events

Management has evaluated subsequent events through January 30, 2019 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

### 3. CONCENTRATION OF CREDIT RISK

The Society maintains its cash at a federally insured financial institution. As of August 31, 2018, the Society exceeded the FDIC limit by approximately \$2,200,000.

### 4. PROMISES TO GIVE

Promises to Give are expected to be realized in the following periods:

In One Year or Less	\$	211,239
Between One and Five Years		305,224
Five Years or More		<u>30,000</u>
Total	\$	<u>546,463</u>

## Audubon Naturalist Society of the Central Atlantic States, Inc.

### Notes to Financial Statements August 31, 2018

#### 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Society has categorized its financial instruments based on a three-level fair value hierarchy as follows:

Level 1 – Values are based on quoted prices for identical assets in active markets.

Level 2 – Values are based on quoted prices for similar assets in active or inactive markets.

Level 3 – Value are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.

As of August 31, 2018, these investments and their fair value measurements were:

	Fair Value	Level 1 Inputs
Fixed Income		
Corporate/Government	\$ 897,451	\$ 897,451
High Yield	62,541	62,541
Real Estate Funds	66,914	66,914
Equity Securities		
Large Cap	825,583	825,583
Mid Cap	141,940	141,940
Small Cap	95,752	95,752
International Developed	551,189	551,189
International Emerging	236,751	236,751
Total	\$ 2,878,121	\$ 2,878,121

Investment income consisted of the following for the year ended August 31, 2018:

	Unrestricted	Temporarily Restricted	Total
Dividends and Interest	53,582	\$ 39,553	\$ 93,135
Net Unrealized Gains (Losses)	89,081	(2,294)	86,787
Net Realized Gains (Losses)	37,609	10,802	48,411
Total	\$ 180,272	\$ 48,061	\$ 228,333

**Audubon Naturalist Society of the Central Atlantic States, Inc.**

**Notes to Financial Statements  
August 31, 2018**

**6. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at August 31, 2018:

Land	\$ 1,254,483
Buildings and Building Improvements	2,121,676
Furniture and Equipment	505,114
Sanctuary Grounds	<u>234,730</u>
Total	4,116,003
Less Accumulated Depreciation	<u>(1,425,525)</u>
Property and Equipment, Net	<u>\$ 2,690,478</u>

Depreciation expense was \$119,903 for the year ended August 31, 2018.

**7. NOTE PAYABLE**

During August 2016, the Society agreed to a \$250,000 note payable with Eagle Bank. Payments on the loan were interest only until February 2017. Beginning in March 2017, principal and interest payments will be \$2,706 until September 2021. Interest during the first five years of the note payable will be fixed at 4.5%. Beginning in September 2021, the Society will pay principal and interest based on variable interest rate that equals the 5 Year Interest Rate Swap posted in the Federal Reserve Statistical Release plus 3.25%. The note payable is collateralized by the assets of the Society.

During the year ended August 31, 2018, the Society made an additional principal payment of \$23,964.

The future scheduled maturities of the loan is as follows:

2019	\$ 24,090
2020	25,235
2021	26,411
2022	27,642
2023	28,920
Thereafter	<u>39,386</u>
Total	<u>\$ 171,684</u>

Total interest expense for the year ended August 31, 2018 was \$9,497.

**Audubon Naturalist Society of the Central Atlantic States, Inc.**

**Notes to Financial Statements  
August 31, 2018**

**8. BOARD DESIGNATED NET ASSETS**

Board designated net assets as of August 31, 2018, are designated for the following purposes:

	September 1, 2017	Designations	Appropriations	August 31, 2018
Maintenance and Safety	\$ -	\$ 263,413	\$ (39,175)	\$ 224,238
Lobbyist	-	30,000	-	30,000
Professional Development	-	45,000	-	45,000
Operating	-	125,000	-	125,000
Restoration Projects	-	692,212	-	692,212
Nature For All	-	250,000	-	250,000
Total	<u>\$ -</u>	<u>\$ 1,405,625</u>	<u>\$ (39,175)</u>	<u>\$ 1,366,450</u>

**9. RESTRICTED NET ASSETS**

**Temporarily Restricted**

Temporarily restricted net assets as of August 31, 2018, are restricted for the following purposes:

	September 1, 2017	Support and Contributions	Investment Income	Releases	August 31, 2018
Rust Sanctuary	\$ 219,771	\$ -	\$ -	\$ (9,625)	\$ 210,146
Computer Equipment	2,874	-	-	(2,874)	-
Conservation	156,112	362,029	-	(323,846)	194,295
Environmental Education Programs	266,369	337,867	37,381	(254,425)	387,192
Woodend Improvements	32,810	11,766	-	(28,569)	16,007
Nature For All	415,654	625,261	-	(411,859)	629,056
Crowder/Messersmith Fund	100,011	13,115	10,680	(8,413)	115,393
Total	<u>\$ 1,193,601</u>	<u>\$ 1,350,038</u>	<u>\$ 48,061</u>	<u>\$(1,039,611)</u>	<u>\$ 1,552,089</u>

**Permanently Restricted**

Permanently restricted net assets as of August 31, 2018, consisted of the following:

Rust Sanctuary	\$ 436,032
Washington, D.C. Area Programs Endowment	279,672
Scholarship Endowment	4,020
Total	<u>\$ 719,724</u>

# **Audubon Naturalist Society of the Central Atlantic States, Inc.**

## **Notes to Financial Statements August 31, 2018**

### **9. RESTRICTED NET ASSETS (CONTINUED)**

#### **Permanently Restricted (Continued)**

The Scholarship and Washington, D.C. Area Programs endowments consist of investments to be held indefinitely. The income earned on each is temporarily restricted to support the corresponding purposes.

### **10. ENDOWMENTS**

The Society's endowments consist of restricted contributions that established endowments to support specific programs of the Society. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Society has no funds designated by the board of directors to function as endowments.

#### **Interpretation of Relevant Law**

The Society has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standards of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, 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 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 and (7) the Society's investment policies.

#### **Investment Policy**

The Society has adopted an investment policy, approved by the board of directors, for endowment assets to provide a stream of funding to programs supported by its endowment while seeking to maintain the original value of the gifts donated to the permanent endowment. The investment policy establishes an achievable return objective through diversification of asset classes. 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).

# Audubon Naturalist Society of the Central Atlantic States, Inc.

## Notes to Financial Statements August 31, 2018

### 10. ENDOWMENTS (CONTINUED)

#### Investment Policy (Continued)

The Society targets a diversified asset allocation that places an emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk parameters.

#### Appropriation of Endowment Assets for Expenditure

Distributions from donor restricted endowments are made in accordance with the terms of the gifts. Accordingly, the investment income earned and net appreciations of the endowments' investments are available for expenditure in the current period consistent with the terms of the gifts.

As of August 31, 2018, the donor-restricted endowment net asset composition by type of fund consisted of the following:

Temporarily Restricted	\$	98,255
Permanently Restricted	\$	283,692

Changes in endowment net assets for the year ended August 31, 2018, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Period	\$ 79,063	\$ 283,692	\$ 362,755
Investment Income	37,381	-	37,381
Amounts Appropriated for Expenditures	(18,189)	-	(18,189)
Endowment Net Assets, End of Period	<u>\$ 98,255</u>	<u>\$ 283,692</u>	<u>\$ 381,947</u>

### 11. IN-KIND CONTRIBUTIONS

In-kind contributions include donated goods and services. Donated services that require a specialized skill that the Society would otherwise need to purchase are recorded at estimated fair value. The Society received catering, legal services and other supplies which were reported as in-kind contribution revenue offset by a corresponding expense. In-kind contributions for the year ended August 31, 2018, were valued at \$92,207.

### 12. RENTAL REVENUE

The Society leases portions of its buildings and grounds as site rentals under cancelable operating lease arrangements. The site rentals are usually for less than a day.

**Audubon Naturalist Society of the Central Atlantic States, Inc.**

**Notes to Financial Statements  
August 31, 2018**

**13. RETIREMENT PLAN**

The Society sponsors a defined contribution retirement plan that qualifies under Section 403(b) of the Internal Revenue Code.

The Society's employees are eligible to participate in the plan upon employment. After six months of employment, eligible employees qualify for a matching contribution up to 5% of their salary contributions to the Plan. Employer and employee contributions are vested immediately.

The Society also sponsors a 457(b)-deferred compensation plan for a key employee. Contributions to this plan are remitted annually.

The Society's contribution to the plans for the year ended August 31, 2018, was \$91,587.



## **Supplementary Information**

**Audubon Naturalist Society of the Central Atlantic States, Inc.**

**Schedule of Functional Expenses  
For The Year Ending August 31, 2018  
With Comparative Totals For the Year Ended August 31, 2017**

	<b>2018</b>							<b>Total</b>	2017 Total
	Sanctuaries	Sanctuary Projects	Membership Services	Environmental Education	Conservation Programs	Fundraising	General and Administrative		
Salaries and Related Expenses	\$ 356,571	\$ -	\$ 414,637	\$ 1,147,061	\$ 279,243	\$ 299,938	\$ 26,551	<b>\$ 2,524,001</b>	\$ 2,226,309
Professional / Contractual Services	182,783	249,319	46,824	148,973	42,739	18,189	103,788	<b>792,615</b>	759,365
Occupancy and Depreciation	58,227	-	22,709	93,767	13,336	14,982	4,739	<b>207,760</b>	180,335
Equipment Rental & Repairs	12,910	-	2,652	11,331	2,228	1,918	17,018	<b>48,057</b>	18,224
Sanctuary Maintenance	62,176	-	-	-	-	-	-	<b>62,176</b>	114,975
Travel	1,647	-	1,729	8,329	3,942	476	167	<b>16,290</b>	21,673
Nature Travel	-	-	-	194,202	-	-	-	<b>194,202</b>	132,957
Supplies	19,495	-	2,847	43,729	2,743	4,891	(10)	<b>73,695</b>	83,945
Dues, Subscriptions, & Fees	6,076	225	5,692	4,573	1,048	955	5,969	<b>24,538</b>	23,331
Printing and Publications	1,673	3,680	17,280	2,631	416	9,373	89	<b>35,142</b>	35,688
Postage and Shipping	1,854	-	10,512	1,305	40	2,544	1,072	<b>17,327</b>	19,864
Advertising	16,164	-	1,033	2,767	-	-	919	<b>20,883</b>	22,370
Scholarships and Contributions	-	-	178	24,002	7,410	211	983	<b>32,784</b>	33,814
Bank Fees	16,753	-	3,056	31,921	498	3,309	2,717	<b>58,254</b>	53,355
Interest	-	-	-	9,497	-	-	-	<b>9,497</b>	6,174
Meetings and Catering	1,516	(159)	16,821	3,645	5,613	10,220	1,864	<b>39,520</b>	53,900
Other	-	-	-	-	-	-	-	<b>-</b>	-
<b>Total</b>	<b>\$ 737,845</b>	<b>\$ 253,065</b>	<b>\$ 545,970</b>	<b>\$ 1,727,733</b>	<b>\$ 359,256</b>	<b>\$ 367,006</b>	<b>\$ 165,866</b>	<b>\$ 4,156,741</b>	<b>\$ 3,786,279</b>