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**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2019**



## **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, 2019 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.

#### ***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.

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

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

***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, 2019, 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.

**Report on Summarized Comparative Information**

We have previously audited the Society's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Emphasis of Matter***

As noted in Note 2 of the financial statements, the Society adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



Bethesda, Maryland  
January 29, 2020

Certified Public Accountants

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

**Statement of Financial Position  
August 31, 2019  
With Comparative Totals As of August 31, 2018**

|   | <b>2019</b>          | <b>2018</b>         |
|---|----------------------|---------------------|
| <b>Assets</b>                           |                      |                     |
| Cash and Cash Equivalents               | \$ 2,281,767         | \$ 2,601,492        |
| Accounts Receivable                     | 28,955               | 6,320               |
| Promises to Give (Pledges)              | 2,176,254            | 544,114             |
| Inventory                               | 314,413              | 321,249             |
| Prepaid Expenses                        | 26,364               | 88,284              |
| Investments                             | 6,043,568            | 2,878,121           |
| Property and Equipment, Net             | 2,719,139            | 2,690,478           |
| <b>Total Assets</b>                     | <b>\$ 13,590,460</b> | <b>\$ 9,130,058</b> |
| <b>Liabilities and Net Assets</b>       |                      |                     |
| <b>Liabilities</b>                      |                      |                     |
| Accounts Payable and Accrued Expenses   | \$ 299,617           | \$ 330,150          |
| Deferred Revenues                       | 538,710              | 675,272             |
| Note Payable                            | 109,402              | 171,684             |
| Total Liabilities                       | <b>947,729</b>       | <b>1,177,106</b>    |
| <b>Net Assets</b>                       |                      |                     |
| Without Donor Restrictions              |                      |                     |
| Undesignated                            | 1,572,439            | 1,624,211           |
| Property and Equipment                  | 2,719,139            | 2,690,478           |
| Board Designated                        | 1,144,167            | 1,366,450           |
| Total Without Donor Restrictions        | <b>5,435,745</b>     | <b>5,681,139</b>    |
| With Donor Restrictions                 |                      |                     |
| Purpose - Nature For All                | 2,251,490            | 629,056             |
| Purpose - Other                         | 3,835,772            | 923,033             |
| Perpetual                               | 1,119,724            | 719,724             |
| Total With Donor Restrictions           | <b>7,206,986</b>     | <b>2,271,813</b>    |
| Total Net Assets                        | <b>12,642,731</b>    | <b>7,952,952</b>    |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 13,590,460</b> | <b>\$ 9,130,058</b> |

*See accompanying Notes to Financial Statements.*

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

**Statement of Activities  
For The Year Ending August 31, 2019  
With Comparative Totals For the Year Ended August 31, 2018**

|  | 2019                             |                         |                     |                     | 2018                 |                     |
|--|----------------------------------|-------------------------|---------------------|---------------------|----------------------|---------------------|
|  | Without<br>Donor<br>Restrictions | With Donor Restrictions |                     |                     | Total                | Total               |
|  |                                  | Nature For All          | Other               | Perpetual           |                      |                     |
| <b>Support and Revenues</b>                        |                                  |                         |                     |                     |                      |                     |
| Membership Dues                                    | \$ 185,214                       | \$ -                    | \$ -                | \$ -                | \$ 185,214           | \$ 207,474          |
| Contributions and Grants                           | 906,566                          | 2,089,935               | 3,530,745           | 400,000             | 6,927,246            | 3,411,965           |
| Tuition, Tours, and Field Trips                    | 1,614,678                        | -                       | -                   | -                   | 1,614,678            | 1,386,842           |
| Sanctuary Shop (Net of Cost of Sales of \$309,056) | 166,884                          | -                       | -                   | -                   | 166,884              | 179,207             |
| Rent   | 515,261                          | -                       | -                   | -                   | 515,261              | 607,677             |
| Advertising and Other Revenue                      | 3,463                            | -                       | -                   | -                   | 3,463                | 3,528               |
| Dividends, Interest, Realized Gains (Losses)       |                                  |                         |                     |                     |                      |                     |
| Less: Investment Advisory Fees                     | 88,623                           | -                       | 75,123              | -                   | 163,746              | 121,211             |
| Net Assets Released from Restrictions              | 1,154,700                        | (467,501)               | (687,199)           | -                   | -                    | -                   |
| Total Support and Revenues                         | <u>4,635,389</u>                 | <u>1,622,434</u>        | <u>2,918,669</u>    | <u>400,000</u>      | <u>9,576,492</u>     | <u>5,917,904</u>    |
| <b>Expenses</b>                                    |                                  |                         |                     |                     |                      |                     |
| Program Services                                   |                                  |                         |                     |                     |                      |                     |
| Sanctuaries  | 909,444                          | -                       | -                   | -                   | 909,444              | 737,845             |
| Sanctuary Projects                                 | 421,581                          | -                       | -                   | -                   | 421,581              | 253,065             |
| Membership Services                                | 563,400                          | -                       | -                   | -                   | 563,400              | 545,970             |
| Environmental Education                            | 1,893,489                        | -                       | -                   | -                   | 1,893,489            | 1,727,733           |
| Conservation Programs                              | 465,604                          | -                       | -                   | -                   | 465,604              | 359,256             |
| Total Program Services                             | <u>4,253,518</u>                 | <u>-</u>                | <u>-</u>            | <u>-</u>            | <u>4,253,518</u>     | <u>3,623,869</u>    |
| Supporting Services                                |                                  |                         |                     |                     |                      |                     |
| Fundraising  | 406,912                          | -                       | -                   | -                   | 406,912              | 367,006             |
| General and Administrative                         | 191,525                          | -                       | -                   | -                   | 191,525              | 145,531             |
| Total Supporting Services                          | <u>598,437</u>                   | <u>-</u>                | <u>-</u>            | <u>-</u>            | <u>598,437</u>       | <u>512,537</u>      |
| Total Expenses                                     | <u>4,851,955</u>                 | <u>-</u>                | <u>-</u>            | <u>-</u>            | <u>4,851,955</u>     | <u>4,136,406</u>    |
| Increase (Decrease) in Net Assets from Operations  | (216,566)                        | 1,622,434               | 2,918,669           | 400,000             | 4,724,537            | 1,781,498           |
| Net Unrealized Gains (Losses) on Investments       | (28,828)                         | -                       | (5,930)             | -                   | (34,758)             | 86,787              |
| Changes in Net Assets                              | (245,394)                        | 1,622,434               | 2,912,739           | 400,000             | 4,689,779            | 1,868,285           |
| Net Assets, Beginning of Period                    | 5,681,139                        | 629,056                 | 923,033             | 719,724             | 7,952,952            | 6,084,667           |
| <b>Net Assets, End of Period</b>                   | <u>\$ 5,435,745</u>              | <u>\$ 2,251,490</u>     | <u>\$ 3,835,772</u> | <u>\$ 1,119,724</u> | <u>\$ 12,642,731</u> | <u>\$ 7,952,952</u> |

See accompanying Notes to Financial Statements.

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

**Statement of Functional Expenses  
For The Year Ended August 31, 2019  
With Comparative Totals For the Year Ended August 31, 2018**

|                                     | <b>2019</b>       |                       |                        |                            |                          |                   |                               | <b>Total</b>        | 2018<br>Total       |
|-------------------------------------|-------------------|-----------------------|------------------------|----------------------------|--------------------------|-------------------|-------------------------------|---------------------|---------------------|
|                                     | Sanctuaries       | Sanctuary<br>Projects | Membership<br>Services | Environmental<br>Education | Conservation<br>Programs | Fundraising       | General and<br>Administrative |                     |                     |
| Salaries and Related Expenses       | \$ 461,113        | \$ -                  | \$ 436,037             | \$ 1,253,675               | \$ 323,965               | \$ 297,092        | \$ 155,518                    | <b>\$ 2,927,400</b> | \$ 2,524,001        |
| Professional / Contractual Services | 200,155           | 408,184               | 54,559                 | 112,513                    | 86,453                   | 18,013            | 9,336                         | <b>889,213</b>      | 772,280             |
| Occupancy and Depreciation          | 65,237            | -                     | 23,266                 | 90,056                     | 11,681                   | 11,359            | 14,740                        | <b>216,339</b>      | 207,760             |
| Equipment Rental & Repairs          | 27,400            | -                     | 4,080                  | 7,820                      | 5,155                    | 1,543             | 2,670                         | <b>48,668</b>       | 48,057              |
| Sanctuary Maintenance               | 67,229            | -                     | -                      | -                          | -                        | 97                | -                             | <b>67,326</b>       | 62,176              |
| Travel                              | 4,887             | -                     | 32                     | 14,954                     | 4,327                    | 113               | 865                           | <b>25,178</b>       | 16,290              |
| Nature Travel                       | -                 | -                     | -                      | 255,624                    | -                        | -                 | -                             | <b>255,624</b>      | 194,202             |
| Supplies                            | 13,489            | -                     | 2,198                  | 64,586                     | 2,892                    | 7,632             | -                             | <b>90,797</b>       | 73,695              |
| Dues, Subscriptions, & Fees         | 12,403            | 756                   | 1,295                  | 7,239                      | 1,893                    | 1,506             | 51                            | <b>25,143</b>       | 24,538              |
| Printing and Publications           | 2,135             | 12,590                | 18,930                 | 3,961                      | 282                      | 10,336            | 153                           | <b>48,387</b>       | 35,142              |
| Postage and Shipping                | 6,262             | -                     | 9,193                  | 1,169                      | 19                       | 2,911             | 1,522                         | <b>21,076</b>       | 17,327              |
| Advertising                         | 21,258            | -                     | 585                    | 678                        | 270                      | 967               | 42                            | <b>23,800</b>       | 20,883              |
| Scholarships and Contributions      | 56                | -                     | 1,695                  | 42,167                     | 25,249                   | 514               | 673                           | <b>70,354</b>       | 32,784              |
| Bank Fees                           | 18,161            | -                     | 3,594                  | 28,296                     | 1,136                    | 3,659             | 3,168                         | <b>58,014</b>       | 58,254              |
| Interest                            | -                 | -                     | -                      | 7,288                      | -                        | -                 | -                             | <b>7,288</b>        | 9,497               |
| Meetings and Catering               | 9,619             | 51                    | 7,936                  | 3,320                      | 2,282                    | 16,020            | 2,787                         | <b>42,015</b>       | 39,520              |
| Other                               | 40                | -                     | -                      | 143                        | -                        | 35,150            | -                             | <b>35,333</b>       | -                   |
| <b>Total</b>                        | <b>\$ 909,444</b> | <b>\$ 421,581</b>     | <b>\$ 563,400</b>      | <b>\$ 1,893,489</b>        | <b>\$ 465,604</b>        | <b>\$ 406,912</b> | <b>\$ 191,525</b>             | <b>\$ 4,851,955</b> | <b>\$ 4,136,406</b> |

*See accompanying Notes to Financial Statements.*

**Statement of Cash Flows**  
**For The Year Ending August 31, 2019**  
**With Comparative Totals For the Year Ended August 31, 2018**

|   | <b>2019</b>         | <b>2018</b>  |
|---|---------------------|--------------|
| <b>Cash Flows from Operating Activities</b>   |                     |              |
| Change in Net Assets  | <b>\$ 4,689,779</b> | \$ 1,868,285 |
| Adjustments to Reconcile Change in Net Assets to<br>Net Cash Used in (Provided by) Operating Activities |                     |              |
| Depreciation  | <b>129,824</b>      | 119,903      |
| Net (Gains) Losses on Investments   | <b>(8,516)</b>      | (135,198)    |
| <u>(Increase) Decrease in Assets</u>  |                     |              |
| Accounts Receivable   | <b>(22,635)</b>     | 5,901        |
| Promises to Give  | <b>(1,632,140)</b>  | (155,605)    |
| Inventory   | <b>6,836</b>        | (23,894)     |
| Prepaid Expenses  | <b>61,920</b>       | (38,093)     |
| <u>Increase (Decrease) in Liabilities</u>   |                     |              |
| Accounts Payable and Accrued Expenses   | <b>(30,533)</b>     | 108,395      |
| Deferred Revenues   | <b>(136,562)</b>    | 76,359       |
| Net Cash Provided by Operating Activities   | <b>3,057,973</b>    | 1,826,053    |
| <b>Cash Flows from Investing Activities</b>   |                     |              |
| Purchases of Property and Equipment   | <b>(158,485)</b>    | (242,596)    |
| Purchases of Investments  | <b>(4,331,605)</b>  | (729,287)    |
| Sales and Maturities of Investments   | <b>1,174,674</b>    | 730,059      |
| Net Cash Used in Investing Activities   | <b>(3,315,416)</b>  | (241,824)    |
| <b>Cash Flows from Financing Activities</b>   |                     |              |
| Principal Payments on Note Payable  | <b>(62,282)</b>     | (46,944)     |
| Net Cash Provided by (Used in) Financing Activities   | <b>(62,282)</b>     | (46,944)     |
| Net Increase (Decrease) in Cash and Cash Equivalents  | <b>(319,725)</b>    | 1,537,285    |
| Cash and Cash Equivalents, Beginning of Period  | <b>2,601,492</b>    | 1,064,207    |
| <b>Cash and Cash Equivalents, End of Period</b>   | <b>\$ 2,281,767</b> | \$ 2,601,492 |
| <b>Supplementary Disclosure of Cash Flow Information</b>  |                     |              |
| Cash Paid for Interest  | <b>\$ 7,288</b>     | \$ 9,497     |

*See accompanying Notes to Financial Statements.*

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

## **Notes to Financial Statements August 31, 2019**

### **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.

#### **Adoption of Accounting Standards Update 2014-16**

The Society has adopted *Accounting Standards Update 2014-16, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* (ASU 2014-16) for the year ended August 31, 2019. This standard was issued by the Financial Accounting Standards Board (FASB) to improve the previous net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2014-16 reduces the number of net assets classifications from three to two: with donor restrictions and without donor restrictions. The ASU also requires not-for-profits to report expenses by functional and natural classification in one location in the financial statements and requires not-for-profits to report quantitative and qualitative information about management of liquidity resources and availability of financial assets.

As required by ASU 2014-16, the Society applied the requirements on a retrospective basis in the year of adoption. As a result, certain amounts presented in the prior year have been reclassified to conform to the new presentation. All amounts previously reported as "Unrestricted net assets" have been reclassified to be presented as "Net assets without donor restrictions." Similarly, all amounts previously reported as "Temporarily restricted net assets" and "Permanently restricted net assets" have been reclassified to be presented as "Net assets with donor restrictions." The changes in net assets have been similarly reclassified. There was no change in total net assets or total change in net assets as a result of the adoption of ASU 2014-16.



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

## **Notes to Financial Statements August 31, 2019**

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

#### **Adoption of Accounting Standards Update 2014-16 (Continued)**

The financial statements of the Society have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires the Society 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 net assets may be used at the discretion of management and the Board of Directors.

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 actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

#### **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, 2019. 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.

#### **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.

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

## **Notes to Financial Statements August 31, 2019**

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

#### **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.

#### **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.

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

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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

## **Notes to Financial Statements August 31, 2019**

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

#### **Revenue Recognition**

Revenue is recognized when earned.

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

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

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services based on employee time and effort.

#### **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, 2019, 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, 2019, there have been no matters that would have resulted in an accrual for interest and/or penalties.

Generally, the tax years before 2016 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, 2018, from which the summarized information was derived.

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

## **Notes to Financial Statements August 31, 2019**

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

#### **Upcoming Accounting Pronouncements**

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 years beginning 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 January 1, 2021.

#### **Subsequent Events**

Management has evaluated subsequent events through January 29, 2020 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, 2019, the Society exceeded the FDIC limit by approximately \$1,980,000.

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

**Notes to Financial Statements  
August 31, 2019**

**4. PROMISES TO GIVE**

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

|                                    |              |
|------------------------------------|--------------|
| In One Year or Less                | \$ 1,149,088 |
| Between One and Five Years         | 1,111,838    |
| Five Years or More                 | 25,774       |
| Allowance for Doubtful Promises    | (35,150)     |
| Net Present Value Discount at 2.5% | (75,296)     |
| Total                              | \$ 2,176,254 |

The Nature For All campaign promises to give included above were \$1,649,919 as August 31, 2019.

**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, 2019, these investments and their fair value measurements were:

|                         | Fair Value   | Level 1 Inputs |
|-------------------------|--------------|----------------|
| Fixed Income            |              |                |
| Corporate/Government    | \$ 2,874,150 | \$ 2,874,150   |
| Real Estate Funds       | 292,137      | 292,137        |
| Equity Securities       |              |                |
| Large Cap               | 1,562,100    | 1,562,100      |
| Mid Cap                 | 230,320      | 230,320        |
| Small Cap               | 152,520      | 152,520        |
| International Developed | 733,023      | 733,023        |
| International Emerging  | 199,318      | 199,318        |
| Total                   | \$ 6,043,568 | \$ 6,043,568   |

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

**Notes to Financial Statements  
August 31, 2019**

**5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

Investment income consisted of the following for the year ended August 31, 2019:

|                               | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>      |
|-------------------------------|---------------------------------------|------------------------------------|-------------------|
| Dividends and Interest        | 77,034                                | \$ 68,958                          | \$ 145,992        |
| Net Realized Gains (Losses)   | 37,109                                | 6,165                              | 43,274            |
| Net Unrealized Gains (Losses) | <u>(28,828)</u>                       | <u>(5,930)</u>                     | <u>(34,758)</u>   |
| Advisory Fees                 | <u>(25,520)</u>                       | <u>-</u>                           | <u>(25,520)</u>   |
| Total                         | <u>\$ 59,795</u>                      | <u>\$ 69,193</u>                   | <u>\$ 128,988</u> |

**6. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at August 31, 2019:

|                                     |                     |
|-------------------------------------|---------------------|
| Land                                | \$ 1,254,483        |
| Buildings and Building Improvements | 2,220,127           |
| Furniture and Equipment             | 540,970             |
| Sanctuary Grounds                   | <u>234,730</u>      |
| Total                               | 4,250,310           |
| Less Accumulated Depreciation       | <u>(1,531,171)</u>  |
| Property and Equipment, Net         | <u>\$ 2,719,139</u> |

Depreciation expense was \$129,824 for the year ended August 31, 2019.

**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, monthly principal and interest payments are \$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, 2019, the Society made an additional principal payment of \$26,065.

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

**Notes to Financial Statements  
August 31, 2019**

**7. NOTE PAYABLE (CONTINUED)**

The future scheduled maturities of the loan are as follows:

|       |                   |
|-------|-------------------|
| 2020  | \$ 25,235         |
| 2021  | 26,411            |
| 2022  | 27,642            |
| 2023  | 28,920            |
| 2024  | 1,194             |
| Total | <u>\$ 109,402</u> |

Total interest expense for the year ended August 31, 2019 was \$7,288.

**8. NET ASSETS**

Net assets with donor restrictions as of August 31, 2019, are restricted for the following purposes:

| <b>Purpose</b>                      | September 1,<br>2018 | Support and<br>Contributions | Investment<br>Income | Releases              | August 31,<br>2019  |
|-------------------------------------|----------------------|------------------------------|----------------------|-----------------------|---------------------|
| Nature For All                      | \$ 629,056           | \$ 2,089,935                 | \$ -                 | \$ (467,501)          | \$ 2,251,490        |
| Rust Sanctuary                      | 210,146              | -                            | -                    | (9,625)               | 200,521             |
| Conservation                        | 194,295              | 914,888                      | -                    | (344,593)             | 764,590             |
| Environmental Education<br>Programs | 387,192              | 85,233                       | 20,171               | (232,239)             | 260,357             |
| Woodend Improvements                | 16,007               | 2,500,000                    | 46,122               | (72,427)              | 2,489,702           |
| Crowder/Messersmith Fund            | 115,393              | 30,624                       | 2,900                | (28,315)              | 120,602             |
|                                     | <u>1,552,089</u>     | <u>5,620,680</u>             | <u>69,193</u>        | <u>(1,154,700)</u>    | <u>6,087,262</u>    |
| <b>Perpetual</b>                    | <u>719,724</u>       | <u>400,000</u>               | <u>-</u>             | <u>-</u>              | <u>1,119,724</u>    |
| <b>Total</b>                        | <u>\$ 2,271,813</u>  | <u>\$ 6,020,680</u>          | <u>\$ 69,193</u>     | <u>\$ (1,154,700)</u> | <u>\$ 7,206,986</u> |

Net assets with perpetual donor restrictions as of August 31, 2019, consisted of the following:

|  |                     |
|--|---------------------|
| Rust Sanctuary                           | \$ 436,032          |
| Staff Professional Development           | 400,000             |
| Washington, D.C. Area Programs Endowment | 279,672             |
| Scholarship Endowment                    | 4,020               |
| Total                                    | <u>\$ 1,119,724</u> |

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

**Notes to Financial Statements  
August 31, 2019**

**8. NET ASSETS (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.

Board designated net assets as of August 31, 2019, are designated for the following purposes:

|                          | September 1,<br>2018 | Designations | Appropriations      | August 31,<br>2019  |
|--------------------------|----------------------|--------------|---------------------|---------------------|
| Maintenance and Safety   | \$ 224,238           | \$ -         | \$ (182,717)        | \$ 41,521           |
| Lobbyist                 | 30,000               | -            | (13,000)            | 17,000              |
| Professional Development | 45,000               | -            | (1,566)             | 43,434              |
| Operating                | 125,000              | -            | (25,000)            | 100,000             |
| Restoration Projects     | 692,212              | -            | -                   | 692,212             |
| Nature For All           | 250,000              | -            | -                   | 250,000             |
| <b>Total</b>             | <b>\$ 1,366,450</b>  | <b>\$ -</b>  | <b>\$ (222,283)</b> | <b>\$ 1,144,167</b> |

The Nature For All campaign will transform the Woodend Sanctuary into an oasis of nature for all people and all wildlife. The campaign is focused on four areas: habitat restoration, wheelchair accessible trails, nature play spaces and classroom upgrades.

The Nature For All campaign includes the following assets and net assets as of August 31, 2019:

**Assets**

|                            |                     |
|----------------------------|---------------------|
| Cash and Cash Equivalents  | \$ 850,551          |
| Accounts Receivable        | 1,020               |
| Promises to Give (Pledges) | 1,649,919           |
| <b>Total Assets</b>        | <b>\$ 2,501,490</b> |

**Net Assets**

|                            |                     |
|----------------------------|---------------------|
| Without Donor Restrictions | \$ 250,000          |
| With Donor Restrictions    | 2,251,490           |
| <b>Total Net Assets</b>    | <b>\$ 2,501,490</b> |



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

## **Notes to Financial Statements August 31, 2019**

### **9. 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 net assets with perpetual restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual 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 net assets with perpetual restrictions is classified as net assets purpose restrictions 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 perpetual 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).

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.

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

## Notes to Financial Statements August 31, 2019

### 9. ENDOWMENTS (CONTINUED)

#### 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, 2019, the donor-restricted endowment net asset composition by type of fund consisted of the following:

|                            |    |         |
|----------------------------|----|---------|
| Without Donor Restrictions | \$ | 109,526 |
| With Donor Restrictions    | \$ | 683,692 |

Changes in endowment net assets for the year ended August 31, 2019, were as follows:

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      |
|---|-------------------------------|----------------------------|------------|
| Endowment Net Assets, Beginning of Period | \$ 98,255                     | \$ 283,692                 | \$ 381,947 |
| Contributions                             |                               | 400,000                    | 400,000    |
| Investment Income                         | 20,171                        | -                          | 20,171     |
| Amounts Appropriated for<br>Expenditures  | (8,900)                       | -                          | (8,900)    |
| Endowment Net Assets, End of Period       | \$ 109,526                    | \$ 683,692                 | \$ 793,218 |

### 10. 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, 2019, were valued at \$115,591.

### 11. 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, 2019

### 12. 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, 2019, was \$98,845.

### 13. AVAILABILITY AND LIQUIDITY

The following represents the Society's financial assets at August 31, 2019:

|  |                     |
|--|---------------------|
| Financial Assets at Year End:  |                     |
| Cash and Cash Equivalents  | \$ 2,281,767        |
| Accounts Receivable  | 28,955              |
| Investments  | 6,043,568           |
| Promises to Give (Pledges) - Current   | <u>1,149,088</u>    |
| Total Financial Assets   | 9,503,378           |
| Less Amounts Not Available To Be Used Within One Year:                                 |                     |
| Net Assets With Donor Restrictions   | (6,770,954)         |
| Less: Net Assets With Purpose Restrictions To Be Met<br>in Less Than a Year            | 1,651,857           |
| Board-Designated Net Assets  | <u>(1,144,167)</u>  |
|  | <u>(6,263,264)</u>  |
| Financial Assets Available to Meet General Expenditures<br>Over the Next Twelve Months | <u>\$ 3,240,114</u> |

As part of the Society's liquidity management plan, cash in excess of daily requirements is transferred to income-generating accounts, when practical.