

Audubon Naturalist Society of the Central Atlantic States, Inc.

Notes to Financial Statements August 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Additionally, during 2021, the Society received a \$409,000 second draw from the PPP. The Society has accrued \$2,147 of interest in the PPP forgivable loan. As of August 31, 2021, the Society has \$411,147 reported as a forgivable loan liability because legal forgiveness was not received for the second draw.

Other than the PPP forgivable loan noted above, there were no unrecognized conditional contributions as of August 31, 2021.

Membership dues are invoiced based on fixed rate schedules. Revenue from membership dues is recognized when received because members do not receive commensurate value.

Tuition, tours and field trip fees are based on fixed rate schedules for educational experiences. Revenues are received and recognized when the services are rendered, and typically occur in the same year. As of August 31, 2021, there was \$146,974 in deferred revenue related to tuition, tours and field trips.

Rental income includes amounts paid private events held at Woodend Sanctuary. The rental deposit is received in advance of the event resulting in a deferred revenue balance. Rental income is recognized when the event is held. As of August 31, 2021, there was \$599,225 in deferred revenue related to the rental program.

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, 2021, 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, 2021, there have been no matters that would have resulted in an accrual for interest and/or penalties.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

Generally, the tax years before 2018 are no longer subject to examination by federal, state, or local taxing authorities.

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, 2020, from which the summarized information was derived.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2023.

Subsequent Events

Management has evaluated subsequent events through February 23, 2022 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. At times during the year, cash balances exceed the FDIC credit limit. Management does not believe this poses a significant risk.

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**Notes to Financial Statements
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4. PROMISES TO GIVE

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

In One Year or Less	\$ 830,288
Between One and Five Years	373,782
Five Years or More	18,000
Allowance for Doubtful Promises	(3,308)
Net Present Value Discount at 2.5%	(12,847)
Total	\$ 1,205,915

The Nature For All campaign promises to give included above were \$536,954 as August 31, 2021.

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, 2021, these investments and their fair value measurements were:

	Fair Value	Level 1 Inputs
Fixed Income		
Corporate/Government	\$ 2,899,718	\$ 2,899,718
Real Estate Funds	195,499	195,499
Equity Securities		
Large Cap	2,448,978	2,448,978
Mid Cap	326,233	326,233
Small Cap	323,401	323,401
International Developed	884,275	884,275
International Emerging	330,821	330,821
Total	\$ 7,408,925	\$ 7,408,925

Audubon Naturalist Society of the Central Atlantic States, Inc.

**Notes to Financial Statements
August 31, 2021**

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investment income consisted of the following for the year ended August 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and Interest	\$ 65,248	\$ 79,401	\$ 144,649
Net Realized Gains (Losses)	263,891	245,220	509,111
Net Unrealized Gains (Losses)	<u>296,300</u>	<u>132,041</u>	<u>428,341</u>
Advisory Fees	<u>(19,098)</u>	<u>(15,042)</u>	<u>(34,140)</u>
Total	<u>\$ 606,341</u>	<u>\$ 441,620</u>	<u>\$ 1,047,961</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2021:

Land	\$ 1,254,463
Buildings and Building Improvements	2,850,913
Furniture and Equipment	<u>454,797</u>
Total	4,560,173
Less Accumulated Depreciation	<u>(1,594,099)</u>
Property and Equipment, Net	<u>\$ 2,966,074</u>

Depreciation expense was \$124,146 for the year ended August 31, 2021.

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Notes to Financial Statements August 31, 2021

7. NET ASSETS

Net assets with donor restrictions as of August 31, 2021, are restricted for the following purposes:

Purpose	September 1, 2020	Support and Contributions	Investment Income	Releases	August 31, 2021
Nature For All	\$ 2,530,207	\$ 2,848	\$ -	\$ (1,720,274)	\$ 812,781
Rust Sanctuary	190,896	-	-	(9,625)	181,271
Conservation	708,810	315,317	-	(372,936)	651,191
Environmental Education					
Programs	383,955	157,170	119,397	(204,478)	456,044
Woodend Restoration	2,765,629	405,186	295,262	(497,675)	2,968,402
Crowder/Messersmith Fund	172,408	3,950	26,961	(39,167)	164,152
	<u>6,751,905</u>	<u>884,471</u>	<u>441,620</u>	<u>(2,844,155)</u>	<u>5,233,841</u>
Perpetual	<u>1,119,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,119,724</u>
Total	<u>\$ 7,871,629</u>	<u>\$ 884,471</u>	<u>\$ 441,620</u>	<u>\$ (2,844,155)</u>	<u>\$ 6,353,565</u>

Net assets with perpetual donor restrictions as of August 31, 2021, consisted of the following:

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

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, 2021, are designated for the following purposes:

	September 1, 2020	Designations	Appropriations	August 31, 2021
Maintenance and Safety	\$ 41,521	\$ -	\$ (35,515)	\$ 6,006
Name Change	-	205,100	-	205,100
Restoration Projects	692,212	-	-	692,212
Nature For All	250,000	-	(250,000)	-
Total	<u>\$ 983,733</u>	<u>\$ 205,100</u>	<u>\$ (285,515)</u>	<u>\$ 903,318</u>

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7. NET ASSETS (CONTINUED)

The Nature For All campaign is transforming the Woodend Sanctuary into an oasis of nature for all people and all wildlife. The campaign is focused on four areas: habitat restoration, a wheelchair accessible trail, a nature play space and building upgrades.

The Nature For All campaign includes the following assets and net assets as of August 31, 2021:

Assets	
Cash and Cash Equivalents	\$ 276,627
Promises to Give (Pledges)	536,154
Total Assets	<u>\$ 812,781</u>
Net Assets	
With Donor Restrictions	<u>\$ 812,781</u>
Total Net Assets	<u>\$ 812,781</u>

8. 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.

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8. ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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.

Funds with Deficiencies

From time to time, the fair value of assets associated with the endowment funds may fall below the level that the donors require to be retained as a fund of perpetual duration. The Society has interpreted MUPMIFA to permit spending from funds with deficiencies in accordance with prudent measures required under law. As of August 31, 2021, there were no funds with deficiencies.

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, 2021, the donor-restricted endowment net asset composition by type of fund consisted of the following:

Without Donor Restrictions	\$	232,445
With Donor Restrictions	\$	683,692

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8. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended August 31, 2021, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Period	\$ 124,493	\$ 683,692	\$ 808,185
Contributions		-	-
Investment Income	119,397	-	119,397
Amounts Appropriated for Expenditures	(11,445)	-	(11,445)
Endowment Net Assets, End of Period	\$ 232,445	\$ 683,692	\$ 916,137

9. 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, 2021, were valued at \$52,522.

10. 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.

11. 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, 2021, was \$98,878.

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**Notes to Financial Statements
August 31, 2021**

12. AVAILABILITY AND LIQUIDITY

The following represents the Society's financial assets at August 31, 2021:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 2,918,511
Accounts Receivable	39,192
Investments	7,408,925
Promises to Give (Pledges) - Current	<u>830,288</u>
Total Financial Assets	11,196,916
Less Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	(5,917,533)
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	1,373,000
Board-Designated Net Assets	<u>(903,318)</u>
	<u>(5,447,851)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 5,749,065</u>

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