



FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020



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, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Society's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Society adopted Accounting Standards Update 2014-09, Revenue from Contracts with Customers, as amended, and Accounting Standards Update 2018-08, Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, in 2020. Our opinion is not modified with respect to these matters.



Bethesda, Maryland
February 11, 2021

Certified Public Accountants

Audubon Naturalist Society of the Central Atlantic States, Inc.

**Statement of Financial Position
August 31, 2020
With Comparative Totals As of August 31, 2019**

	2020	2019
Assets		
Cash and Cash Equivalents	\$ 2,669,239	\$ 2,281,767
Accounts Receivable	107,131	28,955
Promises to Give (Pledges)	2,185,245	2,176,254
Inventory	320,261	314,413
Prepaid Expenses	30,054	26,364
Investments	6,343,696	6,043,568
Property and Equipment, Net	2,599,637	2,719,139
Total Assets	\$ 14,255,263	\$ 13,590,460
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 310,731	\$ 299,617
Deferred Revenues	566,328	538,710
Forgivable Loan - PPP	566,182	-
Note Payable	-	109,402
Total Liabilities	1,443,241	947,729
Net Assets		
Without Donor Restrictions		
Undesignated	1,357,023	1,572,439
Property and Equipment	2,599,637	2,719,139
Board Designated	983,733	1,144,167
Total Without Donor Restrictions	4,940,393	5,435,745
With Donor Restrictions		
Purpose - Nature For All	2,530,207	2,251,490
Purpose - Other	4,221,698	3,835,772
Perpetual	1,119,724	1,119,724
Total With Donor Restrictions	7,871,629	7,206,986
Total Net Assets	12,812,022	12,642,731
Total Liabilities and Net Assets	\$ 14,255,263	\$ 13,590,460

See accompanying Notes to Financial Statements.

Audubon Naturalist Society of the Central Atlantic States, Inc.

**Statement of Activities
For The Year Ending August 31, 2020
With Comparative Totals For the Year Ended August 31, 2019**

	2020				2019	
	Without Donor Restrictions	With Donor Restrictions			Total	Total
		Nature For All	Other	Perpetual		
Support and Revenues						
Membership Dues	\$ 154,974	\$ -	\$ -	\$ -	\$ 154,974	\$ 185,214
Contributions and Grants	1,178,885	530,443	767,640	-	2,476,968	6,927,246
Tuition, Tours, and Field Trips	839,969	-	-	-	839,969	1,614,678
Sanctuary Shop (Net of Cost of Sales of \$241,803)	140,449	-	-	-	140,449	166,884
Rent	280,813	-	-	-	280,813	515,261
Advertising and Other Revenue	1,733	-	-	-	1,733	3,463
Dividends, Interest, Realized Gains (Losses)						
Less: Investment Advisory Fees	(10,809)	-	157,838	-	147,029	163,746
Net Assets Released from Restrictions	933,527	(251,726)	(681,801)	-	-	-
Total Support and Revenues	<u>3,519,541</u>	<u>278,717</u>	<u>243,677</u>	<u>-</u>	<u>4,041,935</u>	<u>9,576,492</u>
Expenses						
Program Services						
Sanctuaries	834,692	-	-	-	834,692	909,444
Sanctuary Projects	336,092	-	-	-	336,092	421,581
Membership Services	567,390	-	-	-	567,390	563,400
Environmental Education	1,457,905	-	-	-	1,457,905	1,893,489
Conservation Programs	527,169	-	-	-	527,169	465,604
Total Program Services	<u>3,723,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,723,248</u>	<u>4,253,518</u>
Supporting Services						
Fundraising	342,892	-	-	-	342,892	406,912
General and Administrative	202,503	-	-	-	202,503	191,525
Total Supporting Services	<u>545,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>545,395</u>	<u>598,437</u>
Total Expenses	<u>4,268,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,268,643</u>	<u>4,851,955</u>
Increase (Decrease) in Net Assets from Operations	(749,102)	278,717	243,677	-	(226,708)	4,724,537
Net Unrealized Gains (Losses) on Investments	253,750	-	142,249	-	395,999	(34,758)
Changes in Net Assets	(495,352)	278,717	385,926	-	169,291	4,689,779
Net Assets, Beginning of Period	5,435,745	2,251,490	3,835,772	1,119,724	12,642,731	7,952,952
Net Assets, End of Period	<u>\$ 4,940,393</u>	<u>\$ 2,530,207</u>	<u>\$ 4,221,698</u>	<u>\$ 1,119,724</u>	<u>\$ 12,812,022</u>	<u>\$ 12,642,731</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, 2020
With Comparative Totals For the Year Ended August 31, 2019**

	2020								2019
	Sanctuaries	Sanctuary Projects	Membership Services	Environmental Education	Conservation Programs	Fundraising	General and Administrative	Total	Total
Salaries and Related Expenses	\$ 345,059	\$ 148,840	\$ 466,207	\$ 1,137,655	\$ 402,249	\$ 295,783	\$ 145,556	\$ 2,941,349	\$ 2,927,400
Professional / Contractual Services	238,920	141,171	40,170	59,930	73,800	12,312	21,788	588,091	889,213
Occupancy and Depreciation	59,974	7,411	26,731	110,727	14,896	13,413	8,633	241,785	216,339
Equipment Rental & Repairs	14,056	4,252	3,126	6,918	1,737	1,465	13,139	44,693	48,668
Sanctuary Maintenance	43,709	29,698	-	-	-	-	-	73,407	67,326
Travel	4,341	668	3,377	6,151	2,544	63	169	17,313	25,178
Nature Travel	-	-	-	40,798	-	-	-	40,798	255,624
Supplies	6,301	2,440	2,445	38,783	4,722	2,628	2,673	59,992	87,572
Dues, Subscriptions, & Fees	35,549	906	1,799	1,806	3,487	1,331	976	45,854	28,368
Printing and Publications	3,471	260	11,405	2,140	323	4,156	295	22,050	48,387
Postage and Shipping	1,372	38	7,700	847	50	2,936	1,508	14,451	21,076
Advertising	16,634	-	295	3,653	-	1,043	-	21,625	23,800
Scholarships and Contributions	752	-	71	10,148	21,148	233	732	33,084	70,354
Bank Fees	16,606	307	2,323	37,622	1,267	5,378	4,145	67,648	65,302
Meetings and Catering	775	46	1,741	707	946	2,151	2,889	9,255	42,015
Other	47,173	55	-	20	-	-	-	47,248	35,333
Total	\$ 834,692	\$ 336,092	\$ 567,390	\$ 1,457,905	\$ 527,169	\$ 342,892	\$ 202,503	\$ 4,268,643	\$ 4,851,955

See accompanying Notes to Financial Statements.

Statement of Cash Flows
For The Year Ending August 31, 2020
With Comparative Totals For the Year Ended August 31, 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	\$ 169,291	\$ 4,689,779
Adjustments to Reconcile Change in Net Assets to Net Cash Used in (Provided by) Operating Activities		
Depreciation	150,999	129,824
Net (Gains) Losses on Investments	(396,590)	(8,516)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(78,176)	(22,635)
Promises to Give	(8,991)	(1,632,140)
Inventory	(5,848)	6,836
Prepaid Expenses	(3,690)	61,920
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	11,114	(30,533)
Deferred Revenues	27,618	(136,562)
Net Cash Provided by (Used in) Operating Activities	(134,273)	3,057,973
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(31,497)	(158,485)
Purchases of Investments	(2,924,832)	(4,331,605)
Sales and Maturities of Investments	3,021,294	1,174,674
Net Cash Provided by (Used in) Investing Activities	64,965	(3,315,416)
Cash Flows from Financing Activities		
Proceeds from Forgivable Loan - PPP	566,182	-
Principal Payments on Note Payable	(109,402)	(62,282)
Net Cash Provided by (Used in) Financing Activities	456,780	(62,282)
Net Increase (Decrease) in Cash and Cash Equivalents	387,472	(319,725)
Cash and Cash Equivalents, Beginning of Period	2,281,767	2,601,492
Cash and Cash Equivalents, End of Period	\$ 2,669,239	\$ 2,281,767
Supplementary Disclosure of Cash Flow Information		
Cash Paid for Interest	\$ 5,083	\$ 7,287

See accompanying Notes to Financial Statements.

Audubon Naturalist Society of the Central Atlantic States, Inc.

Notes to Financial Statements August 31, 2020

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.

The COVID-19 pandemic has caused significant and ongoing disruptions to the Society's operations. The Society cancelled all in-person programs at the mid-point of its fiscal year, and was only able to run online programs and very limited in-person programs later in the year. Key net revenue producers including summer camp and the Woodend rental program have been severely and negatively impacted by state and local safety restrictions. The Society received funds from the Small Business Administration's Paycheck Protection Program and Economic Injury Disaster Loan program

The Society is closely monitoring its operations, liquidity and investment portfolio and is actively working to minimize the impact of the COVID-19 pandemic.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

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, whereby the donor has stipulated the funds be maintained in perpetuity.

Audubon Naturalist Society of the Central Atlantic States, Inc.

Notes to Financial Statements August 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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.

Adopted Accounting Pronouncements

During fiscal 2020, the Society adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance provided in this ASU will assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional. As required by ASU 2018-08, the Society applied the requirements on a modified prospective basis to agreements that either are not completed as of September 1, 2019 or entered into after September 1, 2019.

The adoption of ASU 2018-08 did not have a material impact on the Society's accounting for contributions or federal grants.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires an entity to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled in exchange for those goods or services. On September 1, 2019, the Society adopted ASU 2014-09, using the modified retrospective approach. The Society applied the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five-step model requires the Society to 1) identify contracts with customers, 2) identify performance obligations related to those contracts, 3) determine the transaction price, 4) allocate that transaction price to each performance obligation, and 5) recognize revenue when or as the Society satisfies a performance obligation.

The adoption of this ASU did not materially impact the timing or amount of revenue recognized by the Society in the financial statements.

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, 2020. Actual results could differ from those estimates.

Audubon Naturalist Society of the Central Atlantic States, Inc.

Notes to Financial Statements August 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Accounts Receivable

Accounts receivable are reported at their unpaid balances, reduced by an allowance for doubtful accounts, if necessary.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering the Society's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect the client's ability to pay, and current economic conditions. The allowance for doubtful accounts is increased by charges to bad debts expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are considered past due based on management's determination. Accounts receivable are charged off based on management's case-by-case determination that they are uncollectible.

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.

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, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is responsible for maintaining the buildings and grounds, managing the rental program and most of the operating costs. The Society owns the sanctuary and conducts environmental education programs there. The Society collaborates with the Virginia Outdoors Foundation regarding the conservation easement at the 68-acre sanctuary.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field.

During the year ended August 31, 2020, the Society received a \$564,355 forgivable loan from the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The forgivable loan is a conditional contribution that can be recognized as revenue when the underlying conditions are met. The Society has elected to treat the legal forgiveness of the loan as the condition. As of August 31, 2020, the Society has \$564,355 reported as a forgivable loan liability that will be recognized in fiscal year 2021 when the loan is forgiven. The Society has accrued \$1,827 of interest in the PPP forgivable loan.

Additionally, during the year ended August 31, 2020, the Society received a \$10,000 loan advance from the Economic Injury Disaster Loan (EIDL) program from the SBA. The loan advance is a forgivable loan. As of August 31, 2020, the Society had recognized the \$10,000 as contribution revenue.

Other than the PPP forgivable loan noted above, there were no unrecognized conditional contributions as of August 31, 2020.

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

Audubon Naturalist Society of the Central Atlantic States, Inc.

Notes to Financial Statements August 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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, 2020, there was \$108,418 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, 2020, there was \$457,910 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, 2020, 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, 2020, there have been no matters that would have resulted in an accrual for interest and/or penalties.

Generally, the tax years before 2017 are no longer subject to examination by federal, state, or local taxing authorities.

Audubon Naturalist Society of the Central Atlantic States, Inc.

Notes to Financial Statements August 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019, 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 2022.

Subsequent Events

Management has evaluated subsequent events through February 11, 2021 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.

4. PROMISES TO GIVE

Promises to Give are expected to be realized in the following periods:	
In One Year or Less	\$ 1,786,371
Between One and Five Years	473,227
Five Years or More	<u>20,000</u>
Allowance for Doubtful Promises	(82,323)
Net Present Value Discount at 2.5%	<u>(12,030)</u>
Total	<u>\$ 2,185,245</u>

The Nature For All campaign promises to give included above were \$1,749,935 as August 31, 2020.

Audubon Naturalist Society of the Central Atlantic States, Inc.

Notes to Financial Statements August 31, 2020

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, 2020, these investments and their fair value measurements were:

	Fair Value	Level 1 Inputs
Fixed Income		
Corporate/Government	\$ 3,186,361	\$ 3,186,361
Real Estate Funds	148,381	148,381
Equity Securities		
Large Cap	1,916,006	1,916,006
Mid Cap	215,678	215,678
Small Cap	112,656	112,656
International Developed	619,766	619,766
International Emerging	144,848	144,848
Total	\$ 6,343,696	\$ 6,343,696

Investment income consisted of the following for the year ended August 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and Interest	\$ 14,528	\$ 131,910	\$ 146,438
Net Realized Gains (Losses)	(25,337)	25,928	591
Net Unrealized Gains (Losses)	253,750	142,249	395,999
Advisory Fees	(33,362)	-	(33,362)
Total	\$ 209,579	\$ 300,087	\$ 509,666

Audubon Naturalist Society of the Central Atlantic States, Inc.

Notes to Financial Statements August 31, 2020

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2020:

Land	\$ 1,254,483
Buildings and Building Improvements	2,119,712
Furniture and Equipment	553,459
Sanctuary Grounds	<u>234,730</u>
 Total	 4,162,384
Less Accumulated Depreciation	<u>(1,562,747)</u>
 Property and Equipment, Net	 <u>\$ 2,599,637</u>

Depreciation expense was \$150,999 for the year ended August 31, 2020.

7. NOTE PAYABLE

During fiscal year 2020, the Society paid off its loan with Eagle Bank. Total interest expense for the year ended August 31, 2020 was \$5,083.

8. NET ASSETS

Net assets with donor restrictions as of August 31, 2020, are restricted for the following purposes:

Purpose	September 1, 2019	Support and Contributions	Investment Income	Releases	August 31, 2020
Nature For All	\$ 2,251,490	\$ 530,443	\$ -	\$ (251,726)	\$ 2,530,207
Rust Sanctuary	200,521	-	-	(9,625)	190,896
Conservation	764,590	241,045	-	(296,825)	708,810
Environmental Education					
Programs	260,357	272,940	71,932	(219,777)	385,452
Woodend Restoration	2,489,702	188,110	217,515	(131,195)	2,764,132
Crowder/Messersmith Fund	120,602	65,545	10,640	(24,379)	172,408
	<u>6,087,262</u>	<u>1,298,083</u>	<u>300,087</u>	<u>(933,527)</u>	<u>6,751,905</u>
Perpetual	<u>1,119,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,119,724</u>
Total	<u>\$ 7,206,986</u>	<u>\$ 1,298,083</u>	<u>\$ 300,087</u>	<u>\$ (933,527)</u>	<u>\$ 7,871,629</u>

Audubon Naturalist Society of the Central Atlantic States, Inc.

**Notes to Financial Statements
August 31, 2020**

8. NET ASSETS (CONTINUED)

Net assets with perpetual donor restrictions as of August 31, 2020, 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, 2020, are designated for the following purposes:

	September 1, 2019	Designations	Appropriations	August 31, 2020
Maintenance and Safety	\$ 41,521	\$ -	\$ -	\$ 41,521
Lobbyist	17,000	-	(17,000)	-
Professional Development	43,434	-	(43,434)	-
Operating	100,000	-	(100,000)	-
Restoration Projects	692,212	-	-	692,212
Nature For All	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
 Total	 <u>\$1,144,167</u>	 <u>\$ -</u>	 <u>\$ (160,434)</u>	 <u>\$ 983,733</u>

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, 2020:

Assets

Cash and Cash Equivalents	\$ 1,030,272
Promises to Give (Pledges)	<u>1,749,935</u>
 Total Assets	 <u>\$ 2,780,207</u>

Net Assets

Without Donor Restrictions	\$ 250,000
With Donor Restrictions	<u>2,530,207</u>
 Total Net Assets	 <u>\$ 2,780,207</u>

Audubon Naturalist Society of the Central Atlantic States, Inc.

Notes to Financial Statements August 31, 2020

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, 2020

9. ENDOWMENTS (CONTINUED)

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, 2020, 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, 2020, the donor-restricted endowment net asset composition by type of fund consisted of the following:

Without Donor Restrictions	\$	124,493
With Donor Restrictions	\$	683,692

Changes in endowment net assets for the year ended August 31, 2020, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Period	\$ 109,526	\$ 683,692	\$ 793,218
Contributions		-	-
Investment Income	22,967	-	22,967
Amounts Appropriated for Expenditures	(8,000)	-	(8,000)
Endowment Net Assets, End of Period	<u>\$ 124,493</u>	<u>\$ 683,692</u>	<u>\$ 808,185</u>

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, 2020, were valued at \$57,736.

Audubon Naturalist Society of the Central Atlantic States, Inc.

Notes to Financial Statements August 31, 2020

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.

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, 2020, was \$105,551.

13. AVAILABILITY AND LIQUIDITY

The following represents the Society's financial assets at August 31, 2020:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 2,669,239
Accounts Receivable	107,131
Investments	6,343,696
Promises to Give (Pledges) - Current	<u>1,786,371</u>
Total Financial Assets	10,906,437
Less Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	(7,435,597)
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	1,651,857
Board-Designated Net Assets	<u>(983,733)</u>
	<u>(6,767,473)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 4,138,964</u>

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

Audubon Naturalist Society of the Central Atlantic States, Inc.

**Notes to Financial Statements
August 31, 2020**

14. SUBSEQUENT EVENTS

The COVID-19 pandemic in the United States commenced prior to the Society's fiscal year-end and has directly impacted its programs and fundraising efforts since early spring 2020. While in the near-term, the disruption to fundraising and operations is expected to continue, given considerable uncertainty concerning the duration, consequential effect to the operations and related financial impact cannot be reasonably estimated at this time.