

SEATTLE AUDUBON SOCIETY

Financial Statements
June 30, 2022 and 2021

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Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Seattle Audubon Society
Seattle, Washington

Opinion

We have audited the accompanying financial statements of Seattle Audubon Society (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seattle Audubon Society as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Seattle Audubon Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Seattle Audubon Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Amanda O'Rourke, CPA
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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Seattle Audubon Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Seattle Audubon Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Greenwood Ohlund

Seattle, Washington
September 6, 2022

SEATTLE AUDUBON SOCIETY

STATEMENTS OF FINANCIAL POSITION June 30, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 738,242	\$ 554,725
Accounts receivable	839	4,983
Grants and contributions receivable	15,421	-
Inventory	263,930	216,589
Prepaid expenses	<u>17,269</u>	<u>15,043</u>
Total current assets	1,035,701	791,340
Investments	502,810	556,991
Investments Held for Endowments	1,907,110	2,205,372
Property and Equipment, net	241,799	252,531
Land Held for Conservation	<u>221,300</u>	<u>221,300</u>
Total assets	<u>\$ 3,908,720</u>	<u>\$ 4,027,534</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 23,683	\$ 43,409
Accrued payroll, benefits, and taxes	63,761	73,394
Conditional Grants - Paycheck Protection Program	-	119,032
Deferred revenue	<u>148,845</u>	<u>68,304</u>
Total liabilities	236,289	304,139
Net Assets		
Without donor restrictions	1,676,877	1,465,001
With donor restrictions	<u>1,995,554</u>	<u>2,258,394</u>
Total net assets	<u>3,672,431</u>	<u>3,723,395</u>
Total liabilities and net assets	<u>\$ 3,908,720</u>	<u>\$ 4,027,534</u>

See accompanying notes to financial statements.

SEATTLE AUDUBON SOCIETY

STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Grants and contributions	\$ 651,777	\$ 145,232	\$ 797,009	\$ 495,374	\$ 99,945	\$ 595,319
Membership dues	141,447	-	141,447	129,752	-	129,752
Bequests	58,118	-	58,118	-	-	-
Retail sales, net of cost of goods sold	254,790	-	254,790	171,502	-	171,502
Program fees	112,959	-	112,959	62,697	-	62,697
Investment return (loss)	(62,219)	(234,630)	(296,849)	104,842	226,924	331,766
Net assets released from restrictions	173,442	(173,442)	-	150,947	(150,947)	-
Total support and revenue	1,330,314	(262,840)	1,067,474	1,115,114	175,922	1,291,036
Expenses						
Program services	744,996	-	744,996	513,777	-	513,777
Management and general	180,972	-	180,972	222,454	-	222,454
Fundraising	192,470	-	192,470	210,685	-	210,685
Total expenses	1,118,438	-	1,118,438	946,916	-	946,916
Change in net assets	211,876	(262,840)	(50,964)	168,198	175,922	344,120
Net Assets, beginning of year	1,465,001	2,258,394	3,723,395	1,296,803	2,082,472	3,379,275
Net Assets, end of year	<u>\$ 1,676,877</u>	<u>\$ 1,995,554</u>	<u>\$ 3,672,431</u>	<u>\$ 1,465,001</u>	<u>\$ 2,258,394</u>	<u>\$ 3,723,395</u>

See accompanying notes to financial statements.

SEATTLE AUDUBON SOCIETY

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2022 and 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel	\$ 457,664	\$ 130,072	\$ 135,825	\$ 723,561	\$ 304,019	\$ 137,067	\$ 116,308	\$ 557,394
Cost of goods sold - retail	426,655	-	-	426,655	293,935	-	-	293,935
Professional fees	76,305	20,978	18,687	115,970	69,990	33,422	22,052	125,464
Donations and contributions	68,937	-	-	68,937	33,863	-	-	33,863
Office	42,564	3,804	19,524	65,892	41,159	9,874	52,459	103,492
Bank fees, licenses, and taxes	38,029	6,760	8,507	53,296	27,610	6,055	8,717	42,382
Miscellaneous	9,652	8,536	1,162	19,350	8,541	22,001	1,462	32,004
Program supplies	17,726	436	208	18,370	5,348	70	1,011	6,429
Facilities and meals	11,225	3,113	3,285	17,623	6,045	2,580	2,167	10,792
Insurance	8,785	2,510	2,650	13,945	6,969	3,226	2,710	12,905
Depreciation and amortization	8,664	2,476	2,613	13,753	8,619	3,991	3,352	15,962
Travel and meals	2,353	1,666	9	4,028	344	1,028	223	1,595
Advertising and promotion	3,092	621	-	3,713	1,270	3,140	224	4,634
Total expenses	1,171,651	180,972	192,470	1,545,093	807,712	222,454	210,685	1,240,851
Less: Cost of goods sold - retail	(426,655)	-	-	(426,655)	(293,935)	-	-	(293,935)
	<u>\$ 744,996</u>	<u>\$ 180,972</u>	<u>\$ 192,470</u>	<u>\$ 1,118,438</u>	<u>\$ 513,777</u>	<u>\$ 222,454</u>	<u>\$ 210,685</u>	<u>\$ 946,916</u>

See accompanying notes to financial statements.

SEATTLE AUDUBON SOCIETY

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (50,964)	\$ 344,120
Adjustments to reconcile change in net assets to net cash flows for operating activities:		
Depreciation and amortization	13,753	15,962
Net realized and unrealized losses (gains) on investments	355,663	(303,120)
Changes in assets and liabilities:		
Accounts receivable	4,144	5,127
Grants and contributions receivable	(15,421)	13,300
Inventory	(47,341)	66,149
Prepaid expenses	(2,226)	318
Accounts payable	(19,726)	14,929
Accrued payroll, benefits, and taxes	(9,633)	(16,789)
Conditional grants - Paycheck Protection Program	(119,032)	(23,568)
Deferred revenue	80,541	68,304
	189,758	184,732
Net cash flows from operating activities	189,758	184,732
Cash Flows from Investing Activities		
Sales of investments	266,633	37,631
Purchases of investments	(269,853)	(40,617)
Purchases of property and equipment	(3,021)	-
	(6,241)	(2,986)
Net cash flows from investing activities	(6,241)	(2,986)
Net change in cash and cash equivalents	183,517	181,746
Cash and Cash Equivalents, beginning of the year	554,725	372,979
Cash and Cash Equivalents, end of the year	\$ 738,242	\$ 554,725

See accompanying notes to financial statements.

SEATTLE AUDUBON SOCIETY

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

Seattle Audubon Society (Seattle Audubon or the Organization), a Washington nonprofit corporation, was founded in 1916. For 105 years, Seattle Audubon members and volunteers have continually worked to minimize threats to birds and protect habitat. These years of experience have never been more important to Seattle Audubon's mission to advocate and organize for cities where people and birds thrive.

Today, faithful volunteers work hand in hand with dedicated staff to deliver innovative, high-quality programs in the following key areas:

Environmental Education – Seattle Audubon inspires people of all ages to learn about and enjoy birds and the natural environment. Leading experts conduct classes on birds and their related habitats, and volunteers lead regulars field trips and bird walks throughout the city and state. In addition, there are youth summer camps, in-school and community-based programs, and a teen program focusing on birds and the natural world. Seattle Audubon also hosts quarterly program meetings for members and the public, providing sessions for communities interested in improving habitat for wildlife, and training adults to become Master Birders.

Community Science – Seattle Audubon coordinates local activities for two National Audubon community science programs (Christmas Bird Count and Climate Watch) and two of the Organization's own projects (Neighborhood Bird Project and Puget Sound Seabird Survey).

Urban Conservation – Seattle Audubon actively promotes bird-friendly public policies and encourages private practices that protect and restore habitat for birds and other wildlife. Seattle Audubon participates in local and regional efforts to protect at-risk bird species, including the Northern Spotted Owl and the Marbled Murrelet, and empowers Seattle-area residents to:

- Preserve and restore the urban tree canopy;
- Encourage cat guardians to keep their feline companions indoors;
- Educate the public on the secondary dangers of anticoagulant rodenticides to birds of prey;
- Support efforts for more bird safe glass in both residential and commercial applications;
- Promote the use of bird friendly native plants for backyard habitats; and
- Educate the public on the effects of climate change for overall bird and ecosystem health.

Community Engagement – Seattle Audubon has over 3,000 members who support the objectives of Seattle Audubon. Seattle Audubon places a premium on making the volunteer experience a satisfying and rewarding one for the approximately 700 active volunteers. Volunteers are encouraged to assume leadership roles and to be involved in the activities throughout the Organization. Seattle Audubon produces a quarterly print newsletter for its members and a monthly e-newsletter for the public. In all its work, Seattle Audubon prioritizes diversity, equity, inclusion, and justice.

The Nature Shop – Finally, to support an appreciation of nature, Seattle Audubon maintains a nature store supplied with optics, books, field guides, and other environmental publications, wild bird paraphernalia, and other nature related items of interest to its members and the general public.

SEATTLE AUDUBON SOCIETY

NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimates.

Financial Statement Presentation

Seattle Audubon reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net asset (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Net Assets without Donor Restrictions

Net assets without donor restrictions are available without restriction for the support of Seattle Audubon's operations. Seattle Audubon's Board of Directors has designated certain net assets without donor restrictions for the following purposes at June 30:

	<u>2022</u>	<u>2021</u>
Conservation-related purposes	\$ 529,931	\$ 451,685
General operating reserves	<u>6,950</u>	<u>6,621</u>
	<u>\$ 536,881</u>	<u>\$ 458,306</u>

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SEATTLE AUDUBON SOCIETY

NOTES TO FINANCIAL STATEMENTS

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of unexpended contributions or grants restricted for particular programs or time periods. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as the time restrictions are met.

Net assets with donor restrictions consist of the following at June 30:

	2022	2021
Net assets with purpose restrictions		
Bird Safe Cities	\$ 67,206	\$ 36,784
Youth Education	10,000	-
Speaker Series	10,000	-
Legal	1,238	1,238
Hoot Camp	-	15,000
Total net assets with purpose restrictions	88,444	53,022
Net assets with endowment restrictions		
Perpetual endowment restrictions		
Martin Miller habitat preservation	527,617	527,617
Education - Hazel Wolfe fund	285,345	307,002
Education - Patch fund	200,515	200,515
Education - Ellerbeck fund	75,000	75,000
Camp scholarships	73,235	74,027
Legal	14,838	16,000
Total net assets with perpetual endowment restrictions	1,176,550	1,200,161
Unappropriated endowment earnings		
Martin Miller habitat preservation	696,714	881,179
Education - Hazel Wolfe fund	-	21,289
Camp scholarships	22,759	48,944
Legal	11,087	15,019
Education - Patch fund	-	28,847
Education - Ellerbeck fund	-	9,933
Total unappropriated endowment earnings	730,560	1,005,211
	\$ 1,995,554	\$ 2,258,394

At June 30, 2022, Seattle Audubon has certain endowments where the fair value of the investments is less than the original gift (underwater endowments – see also Note 3). Underwater endowments have been reported as a reduction of net asset assets with perpetual endowment restrictions in the table above.

SEATTLE AUDUBON SOCIETY

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

Seattle Audubon considers all highly liquid investments with original maturities of three months or less to be cash equivalents unless those highly liquid investments are included with investments. Cash balances are occasionally in excess of federally insured limits.

Receivables

Accounts receivable consists of amounts due from customer retail sales and program fees. Grants and contributions receivable are expected to be collected in one year and are recorded at net realizable value. Seattle Audubon considers accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts (based on historical collection rates). When an account is deemed uncollectible, it is generally written off against the allowance. Management does not believe any allowance is necessary at June 30, 2022 or 2021.

Inventory

Inventory is stated at the lower of average cost or net realizable value and consists solely of finished goods held for retail sales. Retail goods consist primarily of optical equipment, habitat supplies, multimedia, and paper products. Cost is determined using the average cost method.

Inventory consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Retail goods	\$ 239,997	\$ 191,652
Books and publications	<u>23,933</u>	<u>24,937</u>
	<u>\$ 263,930</u>	<u>\$ 216,589</u>

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Investments are stated at fair value in these financial statements.

SEATTLE AUDUBON SOCIETY

NOTES TO FINANCIAL STATEMENTS

Investments

Investments in government bonds, corporate bonds, and mutual funds are reported at fair value using quoted prices in an active market (Level 1 inputs), and consist of the following at June 30:

	2022	2021
Cash and cash equivalents	\$ 63,795	\$ 53,945
Government bonds (including municipal bonds)	169,880	268,363
Corporate bonds	1,359,125	1,202,055
Equity mutual funds	817,120	1,238,000
	\$ 2,409,920	\$ 2,762,363

Investments are held for long-term purposes based on the intent of Seattle Audubon or within a donor-restricted endowment fund, and are reported in the statements of financial position as follows at June 30:

	2022	2021
Investments	\$ 502,810	\$ 556,991
Investments held for endowments	1,907,110	2,205,372
	\$ 2,409,920	\$ 2,762,363

Investment return (loss) is reported in the statements of activities and consists of interest and dividend income, and realized and unrealized gains and losses, less investment expenses.

Property and Equipment

Property and equipment are stated at cost if purchased or, if donated, at the estimated fair value at the date of donation. Seattle Audubon capitalizes assets with a cost or donated value greater than \$3,000 and a useful life in excess of one year. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the assets. Buildings and improvements are depreciated over 30 years, and furniture, equipment, and software are depreciated or amortized between 3 and 15 years. Property and equipment consist of the following at June 30:

	2022	2021
Building and improvements	\$ 235,241	\$ 235,241
Furniture and equipment	4,351	61,547
Software	48,344	48,344
	287,936	345,132
Less: Accumulated depreciation and amortization	(267,191)	(313,655)
Land	221,054	221,054
	\$ 241,799	\$ 252,531

SEATTLE AUDUBON SOCIETY

NOTES TO FINANCIAL STATEMENTS

Land Held for Conservation

Seattle Audubon maintains selected sites for wildlife sanctuary lands. Land held for conservation is carried at cost.

Grants and Contributions Revenue

Grants and contributions revenue (including those received at special events) are recognized when the unconditional pledge or grant award is made. Conditional grants and contributions are not recognized until they become unconditional; that is, the conditions on which they depend are substantially met.

During the year ended June 30, 2020, Seattle Audubon received a conditional grant from the Small Business Administration (SBA) under the Paycheck Protection Program (PPP) of \$142,600. The conditions of this grant were met during the year ended June 30, 2021 and, therefore, the grant amount was recognized to grant and contributions revenue.

During the year ended June 30, 2021, Seattle Audubon received an additional conditional grant from the SBA under the Paycheck Protection Program (PPP) of \$119,032. The conditions of this grant were met during the year ended June 30, 2022 and, therefore, the grant amount was recognized to grant and contributions revenue.

Membership Dues

Membership dues revenue is considered contributory as little to no exchange of goods or services exists and is therefore recognized when the payment is made.

Bequests

Bequests are recognized when Seattle Audubon is notified by the executor as to the amount to be received and the estate has cleared probate (the conditions are met).

In-Kind Contributions

Seattle Audubon recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no in-kind contributions recognized during the years ended June 30, 2022 or 2021.

A substantial number of unpaid volunteers made significant contributions of their time to carry out programs and activities of Seattle Audubon. The estimated value of the volunteer services is not included in these financial statements because it does not meet the accounting criteria for recording.

SEATTLE AUDUBON SOCIETY

NOTES TO FINANCIAL STATEMENTS

Retail Sales

Seattle Audubon recognizes revenue from retail sales when products are sold at point of sale or shipped to the customer and title and risk of loss for products has passed to the customer.

Program Fees

Program fees revenue is recognized when the related program, primarily youth camps, takes place (the sole performance obligation). Program fees collected in advance of program events are recognized as deferred revenue (a contract liability). Contract liabilities at June 30, 2021 recognized to program fees revenue during the year ended June 30, 2022 totaled \$68,304. There were no contract liabilities at June 30, 2020, and as such no contract liabilities were recognized to program fees revenue during the year ended June 30, 2021. There are no significant judgments affecting the determination of amount and timing of program fees revenue.

Income Taxes

Seattle Audubon is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements, as Seattle Audubon has no activities subject to unrelated business income tax.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses that are allocated include personnel, which are allocated on the basis of estimates of time and effort, and indirect overhead expenses, which are allocated based on gross salary percentages by function. Indirect overhead expenses include professional services, office, bank fees, licenses, and taxes, miscellaneous and other.

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation.

Subsequent Events

Seattle Audubon has evaluated subsequent events through the date these financial statements were available to be issued, which was September 6, 2022.

SEATTLE AUDUBON SOCIETY

NOTES TO FINANCIAL STATEMENTS

Note 2 – Liquidity and Availability of Resources

Seattle Audubon strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and marketable securities.

The following table reflects Seattle Audubon’s financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Financial assets available for general expenditures include budgeted endowment appropriations; however, actual amounts could differ from budgeted based on the liquidity needs of Seattle Audubon. Amounts not available include certain investments included in donor-restricted endowment funds fully described in Note 3 and board-designated funds that are intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	2022	2021
Financial Assets		
Cash and cash equivalents	\$ 738,242	\$ 554,725
Accounts receivable	839	4,983
Grants and contributions receivable	15,421	-
Investments	2,409,920	2,762,363
	3,164,422	3,322,071
Less: Amounts Not Available to be Used Within One Year		
Investments held in endowments	(1,907,110)	(2,205,372)
Net assets with purpose restrictions	(88,444)	(53,022)
Net assets with board designations	(536,881)	(458,306)
	(2,532,435)	(2,716,700)
Appropriations from Endowments Expected to be Distributed in the Next Year	64,000	65,000
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 695,987	\$ 670,371

Note 3 – Endowments

Seattle Audubon’s endowment consists of six donor-restricted funds established for a variety of purposes (see net assets with endowment restrictions at Note 1). As required by GAAP, net assets associated with endowment funds, including quasi endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

SEATTLE AUDUBON SOCIETY

NOTES TO FINANCIAL STATEMENTS

Interpretation of Relevant Law

The Board of Directors of Seattle Audubon has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, Seattle Audubon classifies net assets with perpetual endowment restrictions (a) the original value of gifts donated to the perpetual endowment, plus (b) the original value of subsequent gifts to the perpetual endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets is classified as unappropriated endowment earnings until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Seattle Audubon considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of Seattle Audubon and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- The investment policies of Seattle Audubon
- Other resources of Seattle Audubon

Changes in endowment net assets are as follows for the years ending June 30, 2022 and 2021:

	With Donor Restrictions		Total
	Unappropriated Earnings	Perpetual	
Endowment Net Assets, June 30, 2020	\$ 843,649	\$ 1,200,161	\$ 2,043,810
Investment return	226,924	-	226,924
Appropriations for expenditure	(65,362)	-	(65,362)
Endowment Net Assets, June 30, 2021	1,005,211	1,200,161	2,205,372
Investment loss	(211,019)	(23,611)	(234,630)
Appropriations for expenditure	(63,632)	-	(63,632)
Endowment Net Assets, June 30, 2022	\$ 730,560	\$ 1,176,550	\$ 1,907,110

Return Objectives and Risk Parameters

Seattle Audubon has adopted investment and spending policies, as approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets over the long term. Endowment assets include those assets of donor-restricted funds that Seattle Audubon must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner that is intended to produce results that exceed general market averages while assuming a prudent level of investment risk.

SEATTLE AUDUBON SOCIETY

NOTES TO FINANCIAL STATEMENTS

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Seattle Audubon 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). Seattle Audubon targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Seattle Audubon has a policy of appropriating up to five percent of a moving three-year average of the portfolio value. If the Board of Directors does not elect to appropriate the entire allowable amount, the investment gains or losses, by default, are included as a positive or negative change to unappropriated endowment earnings. In establishing this policy, Seattle Audubon considered the long-term expected return on its endowment. Accordingly, over the long term, Seattle Audubon expected the current spending policy to allow its endowment to maintain its historical value.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires. In accordance with GAAP, deficiencies of this nature are to be reported in net assets with perpetual restrictions. At June 30, 2022, funds with original gift values of \$397,029, and deficiencies of \$23,611 were reported in net assets with perpetual donor restrictions. Seattle Audubon expects future investment return to recover these underwater endowments. There were no such deficiencies as of June 30, 2021.

Note 3 – Benefit Plan

Seattle Audubon has a simple IRA plan (the Plan) for employees who meet the Plan's eligibility requirements. Seattle Audubon matches a portion of employee contributions. Seattle Audubon contributed \$5,066 and \$10,156 to the Plan during the years ended June 30, 2022 and 2021, respectively.