



The Audubon Society of New Hampshire

Financial Statements

*For the Year Ended March 31, 2022
With Independent Auditors' Report*

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

FINANCIAL STATEMENTS

For the Year Ended March 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Audubon Society of New Hampshire

Opinion

We have audited the financial statements of The Audubon Society of New Hampshire (the Society) which comprise the statement of financial position as of March 31, 2022, the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as of March 31, 2022, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 of the financial statements, in fiscal year 2022 the Society adopted a change in accounting principle under *Other Presentation Matters – General (Subtopic 360-45): Disclosure of Art, Historical Treasures, and Similar Assets*, under which the practice of capitalizing and recognizing collections in the financial statements was discontinued. Our opinion is not modified with respect to this matter.

Other Matter – March 31, 2021 Financial Statements

The financial statements of the Society, as of and for the year ended March 31, 2021, were audited by other auditors, whose report, dated January 20, 2022, expressed an unmodified opinion on those financial statements.

To the Board of Trustees
The Audubon Society of New Hampshire

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 the Society's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 GAAS 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 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.

In performing an audit in accordance with GAAS, 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 the 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 the 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.

Baku Newman & Noyes LLC
Manchester, New Hampshire
February 15, 2023

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENT OF FINANCIAL POSITION

March 31, 2022

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,938,565
Accounts receivable	103,738
Merchandise inventories	33,250
Prepaid expense	48,248
Other current assets	<u>50,432</u>
Total current assets	2,174,233
Property and equipment	
Net of accumulated depreciation of \$3,144,921	10,999,612
Other assets:	
Investments at fair value	3,756,558
Split-interest agreements	<u>3,496,202</u>
Total other assets	<u>7,252,760</u>
Total assets	<u>\$20,426,605</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 38,485
Accrued payroll and related liabilities	51,100
Deferred revenue	104,137
Current portion of long-term debt	<u>24,127</u>
Total current liabilities	217,849
Long-term liabilities:	
Long-term debt, less current maturities	662,404
Gift annuity payable	<u>60,416</u>
Total long-term liabilities	<u>722,820</u>
Total liabilities	940,669
Net assets:	
Without donor restrictions	3,206,542
With donor restrictions	<u>16,279,394</u>
Total net assets	<u>19,485,936</u>
Total liabilities and net assets	<u>\$20,426,605</u>

See accompanying notes.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended March 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 429,759	\$ 130,049	\$ 559,808
Bequests	171,000	416,391	587,391
Grants	18,000	204,740	222,740
Contracts	179,094	—	179,094
Memberships	117,983	—	117,983
Programs, events, and visitor fees	129,757	75,795	205,552
Sale of merchandise, net of cost of goods sold	20,638	—	20,638
Investment income (loss):			
Interest & dividends	17,840	96,034	113,874
Realized gains	76,711	246,555	323,266
Unrealized (losses)	(52,298)	(48,069)	(100,367)
Pooled income funds:			
Interest and dividends	—	22,323	22,323
Realized gains	—	89,448	89,448
Unrealized (losses)	—	(62,104)	(62,104)
Distribution to beneficiaries	—	(39,617)	(39,617)
Other income	226,832	—	226,832
Net assets released from restrictions	<u>119,280</u>	<u>(119,280)</u>	<u>—</u>
Total revenue and support	<u>1,454,596</u>	<u>1,012,265</u>	<u>2,466,861</u>
Expenses:			
Programs:			
Conservation	494,932	—	494,932
Newfound Audubon Center	34,614	—	34,614
Massabesic Audubon Center	120,345	—	120,345
Silk Farm Audubon Center	559,397	—	559,397
Total program expenses	<u>1,209,288</u>	<u>—</u>	<u>1,209,288</u>
Supporting:			
General and administrative	561,097	—	561,097
Membership, development and communication	180,208	—	180,208
Total supporting expenses	<u>741,305</u>	<u>—</u>	<u>741,305</u>
Total expenses	<u>1,950,593</u>	<u>—</u>	<u>1,950,593</u>
Non-operating:			
Gain from extinguishment of debt (Paycheck Protection Program loans)	<u>378,562</u>	<u>—</u>	<u>378,562</u>
Change in net assets	(117,435)	1,012,265	894,830
Net assets, beginning of year as previously recorded	3,323,977	15,492,129	18,816,106
Prior period adjustment	<u>—</u>	<u>(225,000)</u>	<u>(225,000)</u>
Net assets, beginning of year, as restated	<u>3,323,977</u>	<u>15,267,129</u>	<u>18,591,106</u>
Net assets, end of year	<u>\$3,206,542</u>	<u>\$16,279,394</u>	<u>\$ 19,485,936</u>

See accompanying notes.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended March 31, 2022

	Programs				Supporting				Total 2022
	Conservation	Newfound Audubon Center	Massabesic Audubon Center	Silk Farm Audubon Center	Total Programs	Membership, Develop- ment and Communi- cation	General and Administration	Total Supporting	
<u>Expenses</u>									
Salaries and wages	\$304,268	\$20,015	\$ 53,018	\$150,873	\$ 528,174	\$107,594	\$277,364	\$384,958	\$ 913,132
Payroll taxes	20,851	1,458	3,569	10,483	36,361	7,980	19,771	27,751	64,112
Employee benefits	23,963	1,692	3,802	11,352	40,809	9,981	23,287	33,268	74,077
Professional services	28,281	4,800	—	5,370	38,451	9,099	166,341	175,440	213,891
Depreciation and amortization	—	—	—	167,739	167,739	—	—	—	167,739
Repairs and maintenance	17,593	2,692	14,801	69,815	104,901	24	27	51	104,952
Program expenses	34,647	338	11,948	27,313	74,246	1,408	511	1,919	76,165
Insurance	5,234	640	1,203	10,559	17,636	2,066	51,417	53,483	71,119
Office expenses	14,113	1,533	9,372	26,689	51,707	10,816	2,094	12,910	64,617
Utilities	2,296	815	17,336	37,968	58,415	—	40	40	58,455
Travel and entertainment	23,562	631	4,466	13,235	41,894	3,187	974	4,161	46,055
Printing and postage	17,864	—	—	687	18,551	20,858	8	20,866	39,417
Interest expense	—	—	—	19,735	19,735	—	12,102	12,102	31,837
Conference and meetings	549	—	10	205	764	5,364	2,731	8,095	8,859
Dues and subscriptions	1,021	—	320	3,885	5,226	933	2,428	3,361	8,587
Advertising	—	—	500	3,289	3,789	898	1,213	2,111	5,900
Bad debts	—	—	—	—	—	—	1,270	1,270	1,270
Property taxes	690	—	—	—	690	—	—	—	690
Miscellaneous	—	—	—	200	200	—	(481)	(481)	(281)
Total expenses	\$494,932	\$34,614	\$120,345	\$559,397	\$1,209,288	\$180,208	\$561,097	\$741,305	\$1,950,593

See accompanying notes.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2022

Cash flows from operating activities:	
Increase in net assets	\$ 894,830
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	167,739
Realized and unrealized investment gains	(250,243)
Restricted contributions, bequests, grants, and income	(826,975)
Forgiveness of Payroll Protection Program loans	(378,562)
(Increase) decrease in operating assets:	
Accounts receivable	(52,856)
Inventory	3,930
Prepaid expenses	11,539
Other current assets	(50,432)
Split interest agreements	(120,891)
Increase (decrease) in operating liabilities:	
Accounts payable	(542)
Accrued payroll	(28,694)
Deferred revenue	38,559
Gift annuity payable	<u>(8,504)</u>
Net cash used by operating activities	(601,102)
Cash flows from investing activities:	
Proceeds from sales of investments	1,016,476
Purchase of investments	(1,320,947)
Purchases of property and equipment	<u>(145,493)</u>
Net cash used by investing activities	(449,964)
Cash flows from financing activities:	
Principal payments on notes payable and line of credit	(23,133)
Proceeds from Payroll Protection Program loan	157,908
Restricted contributions, bequests, grants, and income	<u>826,975</u>
Net cash provided by financing activities	<u>961,750</u>
Net change in cash and cash equivalents	(89,316)
Cash and cash equivalents at beginning of year	<u>2,027,881</u>
Cash and cash equivalents at end of year	<u>\$ 1,938,565</u>
Supplemental cash flow disclosures:	
Interest (net of amount capitalized)	<u>\$ 31,837</u>

See accompanying notes.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

1. Nature of Society

The Audubon Society of New Hampshire (the Society) is a not-for-profit organization, incorporated under the laws of the State of New Hampshire. The Society was established in 1914 as a statewide membership organization dedicated to protecting New Hampshire's wildlife and environment through education and conservation. Contributions, program and event fees, and contracts represent the Society's primary sources of revenues.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting, consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The Society reports information regarding its financial position and activities according to two categories of net assets: net assets with donor restrictions and net assets without donor restrictions. Descriptions of these net asset categories are as follows:

- a. *Net assets without donor restrictions:* Net assets without donor restrictions are available for use at the discretion of the Board of Trustees and/or management for general operating purposes. From time to time, the Board of Trustees designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. For example, the Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the purpose of securing the Society's long-term financial viability.
 - b. *Net assets with donor restrictions:* Net assets with donor restrictions consists of assets whose use is limited by donor-imposed, time and/or purpose restrictions and also includes the accumulated appreciation and depreciation related to donor-restricted endowment funds. The Society reports gifts of cash and other assets as revenue with donor restrictions if they are received, with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.
- Some net assets with donor restrictions include a situation that assets provided be maintained permanently (perpetual in nature) while permitting the Society to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

2. Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Revenue and Revenue Recognition

Grants and other contributions of cash and other assets are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions. Donations received with restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions.

Contributions of donated noncash assets (other than permanent collection contributions) are recorded at their fair values in the period received. Contributions of 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, are recorded at their fair values in the period received.

Revenues from retail sales or program services are recognized when performance obligations are satisfied.

Cash and Cash Equivalents

For purposes of cash flow statement presentation, the Society considers investments with a maturity of three months or less to be cash equivalents. The Society maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts, and management believes it is not exposed to any significant risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collections efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for doubtful accounts was deemed necessary for the year ended March 31, 2022.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

2. **Significant Account Policies (Continued)**

Property and Equipment

Property and equipment are recorded at cost if purchased or fair value at the date of the gift if donated, and are being depreciated using the straight-line method over estimated useful lives as follows:

<u>Description</u>	<u>Years</u>
Land improvements	10
Buildings and improvements	10 – 40
Equipment	3 – 10
Vehicles	5

Investments

Investments are stated at fair value. Gains and losses on investments are computed on the specific identification basis. Investment income and realized and unrealized gains/losses are included in revenue and other income without donor restrictions unless restricted by donor or law. In addition, investment returns from donor restricted net assets are classified as donor restricted until appropriated for expenditures.

Investments, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and activities.

Endowment income is distributed to the Society quarterly and is based upon a three-year rolling average of the unit value multiplied by the predetermined rate of 4% for support of sanctuaries, specific projects, and general operations. This predetermined income is recorded as donor restricted income, which is released from restriction when the related expenses are recorded. Accordingly, these amounts are included in net assets released from restriction as part of net assets, without donor restriction.

Art Collection

As allowed by Other Presentation Matters – *General* (subtopic 360-45): *Disclosure of Art, Historical Treasures, and Similar Assets*, the Society does not capitalize its collections as an asset in the statement of financial position. The art collection includes John James Audubon’s “Viviparous Quadrupeds of North America.”

Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as a decrease in net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

2. Significant Account Policies (Continued)

In reviewing the accounting treatment of its art collection during the year ended March 31, 2022, the Society adopted the accounting policy to not reflect collection items in its financial statements and has adjusted the 2021 financial statements in order to record the accounting effect of removing the art collection from the statement of financial position.

Deferred Revenues

Deferred revenues consist primarily of the deposits on summer camp programs and deposits on contract revenue.

Income Taxes

The Society is a tax-exempt organization as described in Section 501(C)(3) of the Internal Revenue Code, (IRC) whereby only unrelated business income, as described by Section 512(a)(1) of the IRC, is subject to federal income tax. For the year ended March 31, 2022, there was no liability for a tax on unrelated business income.

The Society has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Accounting for Uncertainty in Income Taxes*. Accordingly, management has evaluated the Society's tax positions and concluded the Society has maintained its tax-exempt status, does not have any significant unrelated business income, and has taken no uncertain tax positions that require adjustment or disclosure in the financial statements. With few exceptions, the Society is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for tax years before 2018.

Volunteer Services

The Society is a membership organization whose volunteers work directly with Society personnel to further the Society's mission. Volunteers serve in teaching positions as trip leaders and assistants, act as environmental advocates, provide field assistance in managing and monitoring wildlife populations, act as sanctuary caretakers, and provide administrative and grounds keeping services. The value of such services has not been recorded in the financial statements.

Functional Allocation of Expenses

The costs of providing program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas, while indirect costs that benefit multiple functional areas have been allocated based on the square footage used by a number of employees working on the various functional areas.

Merchandise Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories are comprised of birdseed, bird feeders, books, music, and assorted merchandise related to the Society's programs and functions.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

2. Significant Account Policies (Continued)

Advertising

The Society follows the policy of charging the costs of advertising to expense as incurred. The total advertising costs for the year ended March 31, 2022 were \$5,900.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which was effective for the Society on April 1, 2022, with early adoption permitted. Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach did not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. This new accounting pronouncement will not have a material impact on the financial statements.

Change in Accounting Principle

During fiscal year 2022, the Society adopted a change in accounting principle under *Other Presentation Matters – General* (Subtopic 360-45): *Disclosure of Art, Historical Treasures, and Similar Assets*, which allows an entity to not capitalize collections. With the adoption of this principle, the Society discontinued the practice of capitalizing and recognizing the collections in its combined financial statements. The application of the accounting principle has been applied retrospectively, resulting in a reduction of net assets of \$225,000 as of March 31, 2021. The change in accounting principle is preferable, based on management's intent to hold the assets for long-term purposes, the illiquid nature of the assets, and industry trends for comparable entities with collections.

Paycheck Protection Program

In April 2020, the Society received loan proceeds in the amount of \$220,657, under the first round of the Paycheck Protection Program (PPP). The first round of the PPP, established as part of the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities during the forgivable covered period of either 8 or 24 weeks, at the Society's election beginning on the date of the receipt of the PPP loan.

In September 2021, the Society received formal approval from the U.S. Small Business Administration for forgiveness of the entire \$220,657 round one PPP loan. The Society recorded a gain on extinguishment of this PPP loan for the full \$220,657 in the accompanying statement of activities.

In April 2021, the Society received a second PPP loan under the *Economic Aid Act* totaling \$157,908.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

2. Significant Account Policies (Continued)

In October 2021, the Society received formal approval from the U.S. Small Business Administration for forgiveness of the entire \$157,908 round two PPP loan. The Society recorded a gain on extinguishment of this PPP loan for the full \$157,908 in the accompanying statement of activities.

Risks and Uncertainties

Beginning in March 2020, and continuing through fiscal year 2022, the COVID-19 coronavirus (COVID-19) pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment, and the economy as a whole.

The Society is monitoring these events closely to assess the financial impact of the situation and determine appropriate course of action. While this disruption is expected to be temporary, there is considerable uncertainty around its duration. The impact on the Society's financial position result cannot be estimated at this time.

Subsequent Events

Events occurring after the statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through February 15, 2023, which is the date the financial statements were available to be issued.

3. Investments and Fair Value Measurements

The composition of investments and split interest agreement holdings consist of the following at March 31, 2022:

<u>Description</u>	
Cash and cash equivalents	\$ 491,607
Common stocks	3,293,286
Fixed income instruments	2,136,867
Real estate, Moultonborough, New Hampshire	<u>1,331,000</u>
Total investments	<u>\$7,252,760</u>

Fair Value Measurement and Disclosure

Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are:

Level 1 - Valuations are based on quoted prices in active markets for identical assets.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

3. Investments and Fair Value Measurements (Continued)

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

The following tables show, by level within the fair value hierarchy, the Organization's financial assets that are accounted for at fair value on a recurring basis as of March 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 491,607	\$ —	\$ —	\$ 491,607
Equities	3,293,286	—	—	3,293,286
Fixed income	<u>—</u>	<u>2,136,867</u>	<u>—</u>	<u>2,136,867</u>
Real estate, Moultonborough, New Hampshire	3,784,893	2,136,867	—	5,921,760
	<u>—</u>	<u>—</u>	<u>1,331,000</u>	<u>1,331,000</u>
	<u>\$ 3,784,893</u>	<u>\$ 2,136,867</u>	<u>\$ 1,331,000</u>	<u>\$ 7,252,760</u>

The Society's investments consist of donor-restricted endowment funds established for a variety of purposes, board-designated endowment funds and undesignated funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The following is a rollforward of the balance sheet amount for financial instruments classified by the Society within level 3 of the fair value hierarchy defined above for the year ended March 31:

	<u>Level 3 Assets</u>
Fair value, beginning of year	\$ 1,190,000
Change in market value	<u>140,000</u>
Fair value, end of year	<u>\$ 1,330,000</u>

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

4. Endowment Funds and Net Assets

The Society adheres to the *Other Presentation Matters* section of the *Presentation of Financial Statements for Not-for-Profit Organizations* topic of FASB ASC 958-205-45. ASC 958-205-45 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). ASC 958-205-45 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of New Hampshire enacted UPMIFA, effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Society adopted ASC 958-205-45 for the year ended March 31, 2009. The Society's endowment includes twenty-one donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including any funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Society have interpreted UPMIFA as allowing the Society to allocate for expenditure or accumulate so much of an endowment fund as the Society determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

As a result of this interpretation, the Society classifies as net assets with donor restriction (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in endowment net assets is classified as restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed in UPMIFA.

In accordance with UPMIFA, 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 investment policies of the Society.

Investment Return Objectives, Risk Parameters and Strategies

The Society has adopted investment policies, approved by the Board of Trustees, for endowment assets that attempt to maintain the purchasing power of those endowment assets over the long-term.

Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which emphasizes equity-based and income-based investments that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of accumulated interest and dividends income to be reinvested or used as needed, while growing the funds if possible.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

4. Endowment Funds and Net Assets (Continued)

Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to reduce the exposure of the fund to unacceptable levels of risk.

Spending Policy

The Society has a policy of appropriating for distribution 4% of its entire endowment fund's average fair value over the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned, unless additional amounts are appropriated by the Board. The Society expects the current spending practice to allow its endowment funds to grow, which is consistent with the Society's objective to maintain the purchasing power of the endowment assets and to provide additional real growth through investment return. Under this policy, \$119,280 was appropriated for expenditures for years ended March 31, 2022. The Society also has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

The composition of the endowment account as of March 31, 2022 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 1,034,585	\$ —	\$ 1,034,585
Donor-restricted endowment funds	—	<u>2,720,973</u>	<u>2,720,973</u>
Total	<u>\$ 1,034,585</u>	<u>\$ 2,720,973</u>	<u>\$ 3,755,558</u>

Changes in the endowment account for the year ended March 31, 2022 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 985,917	\$ 2,485,182	\$ 3,471,099
Investment income	17,840	43,227	61,067
Realized and unrealized gains	24,413	36,696	61,109
Contributions	6,415	275,148	281,563
Appropriation of endowment net assets for expenditures	—	<u>(119,280)</u>	<u>(119,280)</u>
Endowment net assets, end of year	<u>\$ 1,034,585</u>	<u>\$ 2,720,973</u>	<u>\$ 3,755,558</u>

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

5. Split-Interest Agreements

The Society is the beneficiary of income and remainder trusts. The Society's interest in these split-interest agreements is reported as a contribution in the year in which it is notified of its interest. The present value of the Society's interest in split-interest agreements approximates the fair value of the Society's proportional share of the assets of the trusts. Valuation changes are reported as a change in value of split-interest agreements in the statement of activities and change in net assets.

The Society established a pooled income fund in March 1993. Contributions to the fund are measured at the fair value of the assets to be received, discounted for the estimated time period until the donor's death using discount rates between 4.2% and 9.4%. Until a donor's death, the donor or designated beneficiary is paid the income (as defined under the arrangement) earned on the donor's assigned units. Upon the donor's death, the value of the units reverts to the Society. Amortization of the discount is recognized as a change in value of split-interest agreements in net assets with donor restriction in the statement of activities and change in net assets.

The Society has entered into charitable gift annuity agreements whereby donors (or designated beneficiaries) receive payments for the remainder of their lives. The liability for these split-interest agreements is determined based on actuarial assumptions using discount rates between 4.0% and 7.4%. The amount of the contribution recorded by the Society is the fair value of assets received less the present value of the estimated annuity payments. Valuation changes in the annuity liability are reflected as changes in net assets with donor restriction in the statement of activities and changes in net assets.

Split-interest agreements consist of the following at March 31, 2022:

Markus Trust (perpetual income trust)	\$2,031,617
Chase Trust (perpetual income trust)	101,568
Pooled income fund	1,255,024
Charitable annuity fund	<u>107,993</u>
Total split-interest agreements	<u>\$3,496,202</u>

6. Long-Term Debt

Long-term debt consists of the following at March 31, 2022:

Installment note payable, Yankee Farm Credit; converted from a variable interest rate to a fixed interest rate of 6.10% during the year ended March 31, 2018; payable in monthly installments of principal and interest of \$4,414; due February 2038; collateralized by real estate of the Society

Installment note payable, Small Business Administration, with an interest rate of 2.75%; payable in monthly installments of principal and interest of \$641 through April 2050. The loan is secured by the assets of the Society

\$538,589

147,942

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

6. Long-Term Debt (Continued)

Less current portion \$686,531
(24,127)

Total long-term debt, less current portion \$662,404

Aggregate maturities required on long-term debt at March 31 are as follows:

2023	\$ 24,127
2024	25,773
2025	27,272
2026	28,851
2027	30,525
Thereafter	<u>549,983</u>
Total	<u>\$686,531</u>

7. Property and Equipment

Property and equipment consisted of the following at March 31, 2022:

Land and improvements	\$ 8,157,935
Building and improvements	5,693,166
Equipment	213,490
Furniture and fixtures	61,595
Vehicles	<u>18,347</u>
Less accumulated depreciation	14,144,533
Property and equipment, net	<u>(3,144,921)</u>
	<u>\$10,999,612</u>

8. Liquidity and Availability of Resources

Cash and cash equivalents	\$ 1,938,565
Accounts receivable	103,738
Investments	3,756,558
Split-interest agreements	<u>3,496,202</u>
Total financial assets	9,295,063
Less amounts unavailable for general expenditures within one year, due to:	
Split-interest agreements	(3,496,202)
Real estate	<u>(1,331,000)</u>

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

8. Liquidity and Availability of Resources (Continued)

Total amounts unavailable for general expenditure within one year	\$ 4,467,861
Amounts unavailable to management without Board's approval: Donor – restricted endowment funds	<u>(2,720,973)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,746,888</u>

9. Employee Retirement Plan

The Society has a tax deferred Annuity Retirement Plan that allows employees to make voluntary contributions, on a pre-tax basis, through salary reduction. The Society makes a matching contribution for each participating employee up to 6% of the participant's compensation. The Society's matching contributions for the year ending March 31, 2022 was \$0.

10. Contingent Liabilities

The Society has contracts with various state and federal agencies to provide conservation and other services. Under the terms of these agreements, the Society is required to provide the contracted services within the contract period for purposes specified in the budget. If program expenditures are determined not to have been made in compliance with the approved budget, the Society may be required to repay such funds.

11. National Wildlife Federation Affiliation

A formal affiliation between the National Wildlife Federation (NWF) and the Society was effective November 5, 2011. The benefits to the Society are both programmatic and pragmatic.

Programmatically, NWF's mission focus is wildlife conservation. Its programs are rooted in policy, science, and education. Its scope is national. The Society's mission is protecting New Hampshire's environment for wildlife and for people. The Society's programs focus on policy, conservation science, education and land protection. The Society's focus is statewide, but many of the issues are national in scope, e.g., bird conservation and climate change.

Working with NWF, the Society has access to talented people whose knowledge complements the Society's staff. NWF serves a coordinating role for its New England affiliates and facilitates communication among the Society staff and other NWF affiliates working on the same issues.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

Year Ended March 31, 2022

11. National Wildlife Federation Affiliation (Continued)

From a practical standpoint, NWF is a large organization with more than 7,000 members in New Hampshire to whom the Society has access. A key organization goal for the Society is to build the membership base. Given the similarity in missions and work, NWF members are likely to be interested in the Society, but in all probability have never been asked to join. With grant support from the New Hampshire Charitable Foundation, NWF brought the development director from its New Jersey affiliate to the Society for board/staff training on fundraising. NWF offers affiliate training to help them build capacity and seeks to strengthen the regional environmental community through its affiliates. Annually, NWF and the Society identify areas on which to work together. Currently, capacity building is the primary focus. The scientific and policy staff are identifying additional areas of mutual interest and collaborating on an issue-by-issue basis.

12. Net Assets Without Donor Restrictions

The detail of net assets without donor restrictions is as follows at March 31, 2022:

Undesignated	\$ 484,432
Land	1,687,525
Board designated endowment	<u>1,034,585</u>
Total net assets without donor restrictions	\$ <u>3,206,542</u>

13. Net Assets With Donor Restrictions

The detail of net assets with donor restrictions is as follows at March 31, 2022:

Subject to expenditure for specified purpose or time frame	\$ 3,592,709
Split interest agreement	3,496,202
Endowment subject to spending policy and appropriation	2,720,973
Permanent land holdings	<u>6,469,510</u>
Total net assets with donor restrictions	\$ <u>16,279,394</u>