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THE AUDUBON SOCIETY OF RHODE ISLAND

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**Financial Statements with
Supplementary Information**

December 31, 2021

Mullen Scorpio Cerilli
Certified Public Accountants
Business Consultants

Mullen Scorpio Cerilli

THE AUDUBON SOCIETY OF RHODE ISLAND

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December 31, 2021

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To the Board of Directors of
The Audubon Society of Rhode Island

Independent Auditors' Report

Opinion

We have audited the accompanying financial statements of The Audubon Society of Rhode Island, Inc. (a Rhode Island nonprofit corporation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 The Audubon Society of Rhode Island, Inc. as of December 31, 2021, 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.

Basis of Opinion

We conducted our audit 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 The Audubon Society of Rhode Island, Inc. and to meet 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.

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, which raise substantial doubt about The Audubon Society of Rhode Island, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Mullen Scorpio Cerilli

The Audubon Society of Rhode Island

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 misstatements, 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 judgement made by a reasonable user based on the financial statements.

In performing and audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 to 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 Audubon Society of Rhode Island, Inc.'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 judgement, there are conditions or events considered in the aggregate, which raise substantial doubt about The Audubon Society of Rhode Island, Inc.'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.

Report on Summarized Comparative Information

We have previously audited The Audubon Society of Rhode Island, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mullen Scorpio Cerilli

The Audubon Society of Rhode Island

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Investments Held by Citizens Bank of Rhode Island as of December 31, 2021 on page 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Providence, Rhode Island

THE AUDUBON SOCIETY OF RHODE ISLAND

Statement of Financial Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,365,427	\$ 981,315
Pledges and grants receivable	214,910	131,786
Inventory	28,785	21,773
Prepaid expenses	<u>14,272</u>	<u>3,543</u>
Total current assets	1,623,394	1,138,417
Noncurrent assets:		
Property and equipment, net of accumulated depreciation	3,002,718	3,134,010
Investments, at market	20,311,110	18,240,869
Investments held by others, at market	243,873	209,275
Refuges, land, and buildings	<u>14,280,918</u>	<u>14,220,918</u>
Total noncurrent assets	<u>37,838,619</u>	<u>35,805,072</u>
Total assets	<u>\$ 39,462,013</u>	<u>\$ 36,943,489</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 73,221	\$ 41,824
Accrued payroll and compensated absences	115,672	108,699
Line of credit	-	60,000
Charitable gift annuity, current portion	1,198	1,087
Deferred revenue	<u>15,967</u>	<u>20,175</u>
Total current liabilities	206,058	231,785
Noncurrent liabilities:		
Charitable gift annuity, noncurrent portion	<u>15,834</u>	<u>17,086</u>
Total liabilities	221,892	248,871
Net assets:		
Without donor restrictions		
Operating, available for programs	973,146	756,020
Property and equipment	3,002,718	3,134,010
Board designated for long-term investment	<u>16,092,988</u>	<u>14,410,535</u>
Total without donor restrictions	20,068,852	18,300,565
With donor restrictions	<u>19,171,269</u>	<u>18,394,053</u>
Total net assets	<u>39,240,121</u>	<u>36,694,618</u>
Total liabilities and net assets	<u>\$ 39,462,013</u>	<u>\$ 36,943,489</u>

The notes are an integral part of these financial statements.

THE AUDUBON SOCIETY OF RHODE ISLAND
Statement of Activities
Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support:				
Public support:				
Contributions	\$ 999,635	\$ 633,695	\$ 1,633,330	\$ 1,118,614
PPP loan forgiveness	-	-	-	319,600
Program and other revenue:				
Program fees	130,908	-	130,908	42,679
Sale of merchandise	93,835	-	93,835	41,991
Rental income	97,226	-	97,226	73,118
Programmatic grants and contracts	559,057	-	559,057	612,489
Admissions and other income	310,643	-	310,643	58,554
Investment return designated for current operations	754,279	189,061	943,340	842,858
Total revenue and support	2,945,583	822,756	3,768,339	3,109,903
Reclassifications - net assets released from restrictions	355,540	(355,540)	-	-
Total revenue, support and reclassifications	3,301,123	467,216	3,768,339	3,109,903
Expenses:				
Program services:				
Properties and conservation	783,780	-	783,780	689,456
Educational and public programs	440,314	-	440,314	405,387
Environmental education center	360,219	-	360,219	310,258
Grants and contracts	470,231	-	470,231	388,903
Sale of program merchandise	71,865	-	71,865	37,498
Advocacy	251,351	-	251,351	210,788
Total program services	2,377,760	-	2,377,760	2,042,290
Supporting services:				
General and administrative	418,620	-	418,620	425,173
Fundraising	447,431	-	447,431	357,072
Total expenses	3,243,811	-	3,243,811	2,824,535
Program operating income (loss)	57,312	467,216	524,528	285,368
Non-operating activities:				
Contribution of land	-	310,000	310,000	-
Contribution of conservation easement	-	-	-	990,000
Investment return less amounts designated for current operations	1,334,780	334,548	1,669,328	1,404,940
Investment return from investment held by others	41,647	-	41,647	21,203
Statutory increase / (decrease) in restricted net assets	334,548	(334,548)	-	-
Change in net assets	1,768,287	777,216	2,545,503	2,701,511
Net assets – beginning	18,300,565	18,394,053	36,694,618	33,993,107
Net assets – ending	\$ 20,068,852	\$ 19,171,269	\$ 39,240,121	\$ 36,694,618

The notes are an integral part of these financial statements.

THE AUDUBON SOCIETY OF RHODE ISLAND
Statement of Functional Expenses
Year Ended December 31, 2021
(With Comparative Totals for the Year Ended December 31, 2020)

	2021										2020
	Program Services							Supporting Services			Total
	Properties and Conservation	Educational and Public Programs	Environmental Education Center	Grants and Contracts	Sale of Program Merchandise	Advocacy	Total Program Services	General and Administrative	Fundraising	Total	
Salaries	\$ 299,184	\$ 294,514	\$ 91,665	\$ 360,284	\$ 11,495	\$ 126,634	\$ 1,183,776	\$ 243,523	\$ 180,337	\$ 1,607,636	\$ 1,464,160
Payroll taxes	23,059	24,714	6,231	27,112	1,031	9,859	92,006	23,702	13,910	129,618	114,198
Employee benefits	62,209	46,210	12,969	40,557	26	20,418	182,389	47,992	22,713	253,094	252,672
Professional fees	6,261	92	-	-	-	61,844	68,197	7,588	49,738	125,523	64,429
Program expenses	41,504	24,229	43,808	32,723	6,000	5,957	154,221	3,402	5,324	162,947	131,594
Repairs, maintenance, tools and services	16,115	250	19,521	3,224	-	34	39,144	-	199	39,343	28,627
Utilities and rent	48,248	-	50,317	-	-	-	98,565	-	-	98,565	83,682
Insurance	22,040	11,020	11,020	-	-	22,040	66,120	11,020	11,020	88,160	93,543
Vehicle expense	18,485	5,213	2,117	254	-	51	26,120	563	2,488	29,171	21,598
Telephone	8,424	-	2,196	-	-	-	10,620	10,820	-	21,440	20,355
Office, printing and postage	4,508	6	3,068	-	91	-	7,673	10,149	70,880	88,702	67,332
Wildlife and property management	106,850	2,773	32,540	-	-	-	142,163	-	-	142,163	129,578
Merchandise	11	-	19	-	47,926	-	47,956	-	406	48,362	18,787
Advertising and public communications	649	-	-	-	-	-	649	-	31,932	32,581	9,264
Computer expenses	218	-	-	-	2,107	1,797	4,122	9,398	14,343	27,863	24,868
Conferences and meetings	-	-	-	2,748	-	-	2,748	-	-	2,748	740
Interest	-	-	-	-	-	1,597	1,597	467	-	2,064	2,208
Special events	895	-	9,396	3,329	-	-	13,620	-	768	14,388	169
Development and fundraising	-	-	-	-	-	-	-	-	31,723	31,723	12,671
Other expenses	150	50	369	-	3,189	1,120	4,878	31,250	11,650	47,778	26,542
Total expenses before depreciation	658,810	409,071	285,236	470,231	71,865	251,351	2,146,564	399,874	447,431	2,993,869	2,567,017
Depreciation	124,970	31,243	74,983	-	-	-	231,196	18,746	-	249,942	257,518
Total expenses	\$ 783,780	\$ 440,314	\$ 360,219	\$ 470,231	\$ 71,865	\$ 251,351	\$ 2,377,760	\$ 418,620	\$ 447,431	\$ 3,243,811	\$ 2,824,535

The notes are an integral part of these financial statements.

THE AUDUBON SOCIETY OF RHODE ISLAND

Statement of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,545,503	\$ 2,701,511
Adjustments to reconcile changes in net assets to net cash provided / (used) by operating activities:		
Depreciation	249,942	257,518
Realized and unrealized (gains) losses on investments	(2,356,487)	(2,007,845)
Contribution of land	(310,000)	-
Contribution of conservation easement	-	(990,000)
Changes in current assets and liabilities:		
Accounts receivable	(83,124)	(23,604)
Inventory	(7,012)	(1,649)
Prepaid expenses	(10,729)	3,788
Accounts payable and accrued expenses	38,370	(52,171)
Charitable gift annuity	(1,141)	(1,087)
Deferred revenue	(4,208)	13,830
Net cash provided / (used) by operating activities	61,114	(99,709)
Cash flows from investing activities:		
Proceeds from sale of land	250,000	-
Property and equipment expenditures	(118,650)	(82,548)
Purchase of investments	(2,305,571)	(1,845,124)
Proceeds from sale of investments	2,557,219	2,432,680
Net cash provided / (used) by investing activities	382,998	505,008
Cash flows from financing activities:		
Line of credit disbursement	(60,000)	-
Net cash provided / (used) by financing activities	(60,000)	-
Net increase (decrease) in cash	384,112	405,299
Cash and cash equivalents - beginning	981,315	576,016
Cash and cash equivalents - end	\$ 1,365,427	\$ 981,315
Interest paid	\$ 2,064	\$ 2,208

The notes are an integral part of these financial statements.

THE AUDUBON SOCIETY OF RHODE ISLAND

Notes to Financial Statements

December 31, 2021

Note 1 - Nature of Activities

The Audubon Society of Rhode Island (the Society) is a nonprofit corporation established to promote natural, wildlife resource preservation, and public education. It is supported primarily through donor contributions, grants, and investment income.

Note 2 - Summary of Significant Accounting Policies

Basis of Financial Reporting

The financial statements of the Society have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Society to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions are those 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 the Society's management and the board of directors.
- Net assets with donor restrictions are those 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.

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 statement of activities.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of less than one year.

Inventory

The gift shop inventory has been recorded at the lower cost or market using the first-in, first-out method. The inventory consists of retail items such as books, bird feeders, and various other items, which relate to the Society's educational and environmental programs.

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

The Society was organized under the laws of the State of Rhode Island and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

The Society evaluates its uncertain tax positions using the guidance for contingencies as contained in generally accepted accounting principles. The Society was not aware of any uncertain tax positions that were not provided for in the accompanying financial statements.

The Society annually files Form 990 - Return of Organization Exempt from Income Tax with the Internal Revenue Service. The Forms 990 are subject to review by the taxing authorities for three years after they are filed. The Society currently has no examinations in progress.

Accounts Receivable

The Society uses the specific write-off method to record bad debts. Under this method, an allowance for doubtful accounts is not maintained but accounts are written off when they become uncollectible. Generally accepted accounting principles require an allowance whenever it can be reasonably estimated and is a material amount. The effect of using the specific write-off method instead of the reserve method is not material to these financial statements.

Investments

Investments are carried at fair value. The Board of Directors has the responsibility for investment activity for the Society and maintains a combined portfolio for unrestricted assets (including board-designated assets) and restricted assets. The investments are maintained in a pooled "mutual fund" accounting basis with the total earnings, investment expenses, appreciation and depreciation, whether realized or unrealized, being allocated to each unrestricted and restricted fund within the portfolio on a pro rata basis. Amounts in unrestricted accounts may be withdrawn when required for use by the Society.

Property and Equipment

It is the Society's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is recorded at cost as of the date of acquisition. Donations of property and equipment are recorded at their estimated fair value as of the date of receipt. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings and improvements (20-60 years) and equipment (5-7 years).

The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the period of disposal. Renewals and improvements which extend the useful lives of assets are capitalized at cost. Maintenance and repairs are included as expenses in the statement of functional expenses.

Wildlife Refuges

The Society capitalizes and treats as permanently restricted land to be preserved as wildlife refuges. Land purchased for wildlife preservation is recorded at cost as of the date of acquisition. Land donated for wildlife preservation is recorded at estimated fair market value at the date of donation.

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies (continued)

Donated Services, Equipment, and Land

Contributed services are reflected in the accompanying statements at their estimated fair values at the date of receipt to the extent that they create or enhance non-financial assets or require specialized skills which if not provided by donation, would have to be purchased by the Society. The contributed services have been reported in the accompanying financial statements as revenue with an offsetting expense.

Donations of equipment are recorded as contributions at their estimated fair values at the date of donation. Donations of land are recorded at the appraised value, if available, or at the tax assessor's value, if an appraisal is not available.

Revenue Recognition

The Society recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barriers and a right of return - are not recognized until the conditions on which they depend have been met.

The Society has been named a beneficiary in multiple contributors' wills and planned giving arrangements. These contributions have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. The amount of the planned contributions cannot be reasonably estimated at this time.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions in the year in which the contribution is made, depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the Society reports the support as unrestricted. Contributions of assets other than cash are recorded at their fair value on the date of the gift.

A portion of the Society's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Society has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Society was awarded cost-reimbursable contracts of approximately \$100,000 that have not been recognized on the financial statements as revenue or liability as of December 31, 2021 because qualifying expenditures have not yet been incurred and no funds have been received in advance.

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises will be received.

Amortization of the discounts are included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Advertising Costs

The Society expenses the cost of advertising as incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs, fundraising and administrative activities have been summarized on a functional basis in the statement of functional expenses. These include certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Society directly allocated expenses to the function benefited when possible. For indirect or shared expenses, the Society allocated such expenses based on management estimates.

Measure of Operations

The statement of activities reports all changes in assets, including change in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Society's ongoing wildlife resource preservation and public education activities. Nonoperating activities consist of endowment and other investment returns net of the amount designated for current operations, which are considered to be of a more unusual or nonrecurring nature.

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Generally accepted accounting principles establish a framework for measuring fair value and expand disclosures about fair value measurements for assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs). The three levels of the fair value hierarchy according to generally accepted accounting principles are as follows:

- Level 1 - valuations based on quoted prices in active markets for identical investments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
- Level 2 - valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, and determined through the use of models or other valuation methodologies.
- Level 3 - valuations based on inputs that are unobservable and significant to the overall fair value measurement, and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Reclassifications

Certain amounts previously reported have been reclassified to conform to the 2021 presentation.

Recently Issued Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases. This update requires all leases with a term greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2021, with early adoption permitted. The Society did not early adopt the standard and the first impact, if any, on the financial statements will be effective for the year ended December 31, 2022. The Society is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments in this update address presentation and disclosure of contributed nonfinancial assets. The ASU is effective for annual periods beginning after June 15, 2021. The first impact, if any, on the financial statements will be effective for the year ended December 31, 2022. The Society is evaluating the effect that ASU 2020-07 will have on its financial statements and related disclosures.

Note 3 - Liquidity and Availability of Financial Assets

The Society structures its financial assets to be available as general expenditures, liabilities, and other obligations become due. It has diverse revenue streams, restricted funds for specified long-term projects, a line of credit for short-term liquidity needs, as well as board-designated funds available to meet future cash operating requirements.

As of December 31, 2021 and 2020, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,365,427	\$ 981,315
Accounts receivable	214,910	131,786
Investments	<u>20,311,110</u>	<u>18,240,869</u>
Total financial assets	21,891,447	19,353,970
Less net assets with purpose restrictions	(805,592)	(377,957)
Less endowment funds with perpetual restrictions	(4,084,759)	(3,795,178)
Less board designated quasi-endowment	(16,092,988)	(14,410,535)
Add scheduled endowment draw	<u>943,000</u>	<u>843,000</u>
Financial assets available for general expenditures within one year	<u>\$ 1,851,108</u>	<u>\$ 1,613,300</u>

Note 4 - Inventory

Gift shop inventory consists of retail items such as books, optical equipment, bird feeders and various other items, which relate to the Society's educational and environmental programs. The gift shop's inventory at December 31, 2021 and 2020 amounted to \$28,785 and \$21,773, respectively.

Note 5 - Property and Equipment

As of December 31, 2021 and 2020, the property and equipment of the Society consisted of the following:

	<u>2021</u>	<u>2020</u>
Land, building, and improvements	\$ 6,522,375	\$ 6,417,720
Machinery, furniture, and equipment	1,297,186	1,297,186
Vehicles	<u>296,113</u>	<u>282,118</u>
Total property and equipment	8,115,674	7,997,024
Less: accumulated depreciation	<u>(5,112,956)</u>	<u>(4,863,014)</u>
Net property and equipment	<u>\$ 3,002,718</u>	<u>\$ 3,134,010</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$249,942 and \$257,518, respectively.

Note 6 - Investments

Investments are recorded at fair value and consist of the following at December 31, 2021 and 2020:

	2021	
	Cost	Fair Value
Money market and cash equivalents	\$ 437,714	\$ 437,714
Equity	13,147,671	18,615,867
Fixed income	1,184,732	1,257,529
Total	<u>\$ 14,770,117</u>	<u>\$ 20,311,110</u>

	2020	
	Cost	Fair Value
Money market and cash equivalents	\$ 326,256	\$ 326,256
Equity	7,915,463	12,098,388
Fixed income	5,408,460	5,816,225
Total	<u>\$ 13,650,179</u>	<u>\$ 18,240,869</u>

Note 7 - Investments Held by Others

The Society is the designated beneficiary of a fund maintained by the Rhode Island Foundation, which was established by a contribution from the Society itself in June of 2015. These funds are now part of the principal of the Rhode Island Foundation, are no longer controlled by the Society, and the Society does not possess variance power. The Society is entitled to annual grants, which are based on a percentage of the return on investments, as calculated by the Rhode Island Foundation. The principal balance of the fund may be withdrawn, however a withdrawal fee in accordance with the schedule below will be applied.

Year of fund	Withdrawal Fee
0 - 1	5% of the amount distributed
1 - 2	4% of the amount distributed
2 - 3	3% of the amount distributed
3 - 4	2% of the amount distributed
5 and thereafter	1% of the amount distributed

Investments held by others are recorded at fair value. Investment activity related to the investment held by the Rhode Island Foundation for the years ended December 31, 2021 and 2020 was as follows:

	2021	2020
Beginning balance	\$ 209,275	\$ 193,926
Contribution	-	-
Investment return	43,213	22,504
Funds released	(7,049)	(5,854)
Fees	(1,566)	(1,301)
Ending balance	<u>\$ 243,873</u>	<u>\$ 209,275</u>

Note 8 - Investment Income

Investment income for the years ended December 31, 2021 and 2020 was comprised of the following:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 261,532	\$ 65,536	\$ 327,068
Net realized and unrealized gains (losses)	1,884,207	472,280	2,356,487
Management fees	(56,680)	(14,207)	(70,887)
Total return on investment	2,089,059	523,609	2,612,668
Investment return designated for current operations	(754,279)	(189,061)	(943,340)
Investment return less amounts designated for current operations	<u>\$ 1,334,780</u>	<u>\$ 334,548</u>	<u>\$ 1,669,328</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 236,234	\$ 66,222	\$ 302,456
Net realized and unrealized gains (losses)	1,568,234	439,611	2,007,845
Management fees	(48,818)	(13,685)	(62,503)
Total return on investment	1,755,650	492,148	2,247,798
Investment return designated for current operations	(658,317)	(184,541)	(842,858)
Investment return less amounts designated for current operations	<u>\$ 1,097,333</u>	<u>\$ 307,607</u>	<u>\$ 1,404,940</u>

Note 9 - Fair Value Measurements

The following table presents the Society's assets that are included in fair value measurements at December 31, 2021 and 2020 within the fair value hierarchy:

Investments:	2021	2020
Level 1:		
US Government, corporate and foreign bonds - fixed income	\$ 1,257,529	\$ 5,816,225
Common and preferred stocks - equities	18,615,867	12,098,388
Money market and cash	437,714	326,256
Total level 1	20,311,110	18,240,869
Level 2	-	-
Level 3	-	-
Total investments	<u>\$ 20,311,110</u>	<u>\$ 18,240,869</u>
Investments held by others:		
Level 1	\$ -	\$ -
Level 2	-	-
Level 3:		
Rhode Island Foundation Flexible Endowment Fund	243,873	209,275
Total investments held by others	<u>\$ 243,873</u>	<u>\$ 209,275</u>

The investment held by others are funds maintained by the Rhode Island Foundation in a commingled investment portfolio. These investments are classified as Level 3 within the fair value hierarchy. The investment values are provided by management who develops their valuations using Rhode Island Foundation investment statements. Due to the inaccessibility of the Foundation investment statements, the commingled nature of the portfolio, and the Society's lack of control over the investing activities, the funds by the Rhode Island Foundation are considered unobservable market inputs.

Note 10 - Endowment

The Society's investments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. 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 to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

An enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) is effective for the State of Rhode Island, to whose law the Society is subject to. The Society had previously been operating under UMIFA, which under Rhode Island State law, required an allocation of a certain amount of accumulated income or appreciation to permanently restricted net assets in order to preserve the purchasing power of the original contribution. UPMIFA does not allow an allocation of income or appreciation to permanently restricted net assets.

Note 10 continued on the next page.

Note 10 – Endowment (continued)

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold for a donor-specified time as well as board-designated funds.

The Society manages their investments on a total return basis. Under the total return concept, the Society's focus is on the overall return on their investments, including both investment income and net appreciation. A spending-rate formula is used to determine how much of that return will be used for current operations. For 2021, the Society's spending-rate formula was calculated at 6% on the 12-quarter trailing average of the fair market value. The composition of endowment net assets by net asset class is as follows for the years ended December 31, 2021 and 2020:

	2021		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 4,106,719	\$ 4,106,719
Board designated endowment funds	16,092,988	-	16,092,988
Total	<u>\$ 16,092,988</u>	<u>\$ 4,106,719</u>	<u>\$ 20,199,707</u>

	2020		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 3,830,334	\$ 3,830,334
Board designated endowment funds	14,410,535	-	14,410,535
Total	<u>\$ 14,410,535</u>	<u>\$ 3,830,334</u>	<u>\$ 18,240,869</u>

Endowment activities were as follows for the years ended December 31, 2021 and 2020:

	2021		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 14,410,535	\$ 3,830,334	\$ 18,240,869
Contributions	-	289,580	289,580
Investment return:			
Investment income	261,462	65,536	326,998
Net realized and unrealized gains (losses)	1,884,207	472,280	2,356,487
Investment fees	(56,680)	(14,207)	(70,887)
Appropriation for operational support	(754,279)	(189,061)	(943,340)
Release from restriction	13,195	(13,195)	-
Reclassification of contributions	-	-	-
Change in statutory increase/(decrease)	334,548	(334,548)	-
Endowment net assets, end of year	<u>\$ 16,092,988</u>	<u>\$ 4,106,719</u>	<u>\$ 20,199,707</u>

Note 10 continued on the next page.

Note 10 - Endowment (continued)

	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 12,998,911	\$ 3,837,019	\$ 16,835,930
Contributions	-	-	-
Investment return:			
Investment income	236,234	66,222	302,456
Net realized and unrealized gains (losses)	1,568,232	439,612	2,007,844
Investment fees	(48,818)	(13,685)	(62,503)
Appropriation for operational support	(658,317)	(184,541)	(842,858)
Release from restriction	6,686	(6,686)	-
Reclassification of contributions	-	-	-
Change in statutory increase/(decrease)	307,607	(307,607)	-
Endowment net assets, end of year	<u>\$ 14,410,535</u>	<u>\$ 3,830,334</u>	<u>\$ 18,240,869</u>

Reconciliation of endowment assets to total net assets at December 31, 2021 and 2020:

	2021		
	Without donor restrictions	With donor restrictions	Total
Endowment assets and those functioning as endowment assets	\$ 16,092,988	\$ 4,106,719	\$ 20,199,707
Other net assets	<u>3,975,864</u>	<u>15,064,550</u>	<u>19,040,414</u>
Total net assets	<u>\$ 20,068,852</u>	<u>\$ 19,171,269</u>	<u>\$ 39,240,121</u>

	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment assets and those functioning as endowment assets	\$ 14,410,535	\$ 3,830,334	\$ 18,240,869
Other net assets	<u>3,890,030</u>	<u>14,563,719</u>	<u>18,453,749</u>
Total net assets	<u>\$ 18,300,565</u>	<u>\$ 18,394,053</u>	<u>\$ 36,694,618</u>

Note 11 - Line of Credit

The Society has a line of credit available with a limit of \$500,000 secured by investments in marketable securities. The interest rate at December 31, 2021 and 2020 was 3.15%. At December 31, 2021 and 2020 the balance of the line of credit was \$0 and 60,000, respectively.

Note 12 - Eppley Trust

The Society was named the income beneficiary of a trust fund administered by the National Audubon Society. Under the terms of the trust agreement, the income only from the original grant of \$200,000 will be available to the Society for the operation of the Eppley Wildlife Sanctuary.

The original principal is to remain intact; however, any accumulated surplus income over that amount is available for the upkeep and maintenance of the Eppley Sanctuary. During the years ended December 31, 2021 and 2020, the National Audubon Society transferred \$51,396 and \$51,126, respectively, to the Society. At December 31, 2021 and 2020, the market value of this fund amounted to \$1,410,157 and \$1,290,592, respectively.

Note 13 - Rhode Island Foundation

The Society has been named as a beneficiary to several designated funds administered and held by the Rhode Island Foundation. During the years ended December 31, 2021 and 2020, the Rhode Island Foundation transferred \$303,036 and \$291,143, respectively, from those funds to the Society.

Note 14 - Charitable Gift Annuity

The Society has received a charitable gift which requires annuity payments, in the future, to the donor. The annuity is paid periodically at the rate of 8.2%. The Society has recorded a liability for the present value of the annuity based on the life expectancy of the donor at a discount rate of 5%. As of December 31, 2021 and 2020 the remaining gift annuity balance was \$17,032 and \$18,173, respectively.

Note 15 - Defined Contribution 401(k) Plan

On September 1, 2008, the Society adopted a 401(k) plan, which covers substantially all employees. Participating employees may elect to contribute, on a pre-tax 401(k) or after-tax Roth 401(k) basis, a portion of their compensation, in accordance with Section 401(k) of the Internal Revenue Code. The Society may make discretionary matching contributions equal to a uniform percentage of the employee's salary deferral. The Society will determine this discretionary matching percentage annually. The Society's matching expense for the years ended December 31, 2021 and 2020 was \$32,965 and \$32,271, respectively.

Note 16 - Board Designated

The Society's governing board has designated, from net assets without donor restrictions, net assets for the following purposes as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Quasi-endowment	\$ 16,092,988	\$ 14,410,535
Total investments	<u>\$ 16,092,988</u>	<u>\$ 14,410,535</u>

Note 17 - Concentration of Credit Risk

Financial instruments which subject the Society to concentrations of credit risk consists primarily of investments in long-term corporate and government fixed income instruments; equity holdings of domestic corporations; and mutual funds which invest primarily in short-term government securities.

The Society typically maintains cash and cash equivalents and temporary investments in local banks, which may, at times, exceed the FDIC limits. At December 31, 2021 and 2020, the Society had an uninsured cash balance of \$1,102,088 and \$704,545, respectively.

The Society does not believe that the concentrations present a significant risk to the organization or financial statements.

Note 18 - Net Assets with Donor Restrictions

Net assets with donor restrictions may be restricted temporarily for a specific time period or purpose, or permanently, whereby the principal is required to be invested in perpetuity, and only the Society may utilize the income. The composition of net assets with donor restrictions is as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Donor restricted net assets not subject to appropriation or expenditure:		
Donor restricted endowments	\$ 4,084,759	\$ 3,795,178
Refuges land and buildings	<u>14,280,918</u>	<u>14,220,918</u>
Total donor restricted net assets not subject to appropriation or expenditures	18,365,677	18,016,096
Subject to expenditure for specified purpose:		
Land acquisitions	148,298	40,155
National Audubon - Eppley	9,597	9,597
Camp Scholarships	13,523	16,055
Education Transportation	9,852	12,891
Urban Environmental Education	189,440	143,312
Rose Garden	30,905	8,678
Youth Conservation League	17,836	47,200
Educational exhibit development	32,837	24,087
Caratunk trails	4,202	12,149
Caratunk Visitors Center improvements	-	35,620
Caratunk	206,624	-
Ornithologist Fund	64,046	-
Land conservation and stewardship	43,432	28,213
Personnel expenses	<u>35,000</u>	-
Total restrictions for specified purposes	<u>805,592</u>	<u>377,957</u>
Total net assets with donor restrictions	<u>\$ 19,171,269</u>	<u>\$ 18,394,053</u>

Note 18 continued on the next page.

Note 18 - Net Assets with Donor Restrictions (continued)

The following net assets were released from restrictions during the years ended December 31, 2021 and 2020 due to the satisfaction of donor-imposed restrictions:

	2021	2020
Caratunk trails	\$ 16,543	\$ 2,851
Educational programs	46,051	89,181
Youth Conservation League	29,364	-
Education transportation	-	2,110
Camp Scholarships	3,033	-
Land acquisitions and stewardship	14,345	25,946
Rose Garden	2,773	26,267
Caratunk Visitor's Center improvements	35,620	49,380
Ornithologist Fund	18,750	-
Strategic planning and sustainability	-	1,200
Investment return designated for current operations	189,061	184,541
	<u>\$ 355,540</u>	<u>\$ 381,476</u>
Total net assets released from restrictions		

Note 19 - Related Party

In the year ended December 31, 2020 the Society received a contribution of a conservation easement from a board member. The Board of Directors of the Society voted and approved to accept the donation.

Note 20 - COVID 19 Pandemic Impact and Response

The COVID-19 outbreak in the United States, and specifically Rhode Island, caused significant business disruption through the cancellation of school field trips, educational programming, summer camp, and fundraising events. While the Society experienced a negative impact on its operating results in the years ended December 31, 2021 and 2020, no further impact is anticipated.

Note 21 - Paycheck Protection Program

In April 2020, the Society was granted funds from Centreville Bank in the amount of \$319,600 pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Under the terms of the PPP, funds must be used for qualifying expenses and include other conditions related to number of employees and pay rates. Qualifying expenses include payroll costs, costs used to continue group health care benefits, mortgage payments, rents, utilities, and interest on other debt obligations incurred before February 15, 2020.

The Society has treated the PPP funds as a conditional contribution. During the year ended December 31, 2020 the Society met all of the program conditions to allow for recognition of revenue for the full amount awarded.

In August 2021, the Society was notified by the Small Business Association and Centreville Bank that all conditions related to the Paycheck Protection Program contribution had been met and no amount was required to be returned.

Note 22 - Subsequent Events

The investment values as of _____ have had a material decline due to current market conditions.

Management has evaluated all subsequent events through _____, the date the financial statements were available to be issued.

DRAFT

THE AUDUBON SOCIETY OF RHODE ISLAND

Supplementary Information

Year Ended December 31, 2021

THE AUDUBON SOCIETY OF RHODE ISLAND
Schedule of Investments Held by Citizens Bank of Rhode Island as of December 31, 2021

	<u>Actual Market Value of Units</u>
Board Designated Investments - Designated for Long term investments	
General Unrestricted	\$ 348,775
Edith Becker	2,832,123
George B. Parker	54,867
Parker Woodland	469,591
Everett F. Southwick	98,049
Barter-Moore	301,698
Powder Mill Ledges	1,235,524
Sanford	329,274
Larkin Wildlife	110,004
Kinsey	1,803,852
Employee salary and compensation	105,207
Bristol Education Center	113,222
P. Hollis	36,946
Alice O. Harris	408,976
Donna-Jean Rainville	40,858
Cottrell	172,608
Aust-Capron Memorial	4,919,530
Lorraine Leaney	378,810
Bayward Ewing	284,635
MCR Beckett	19,396
Kimball Memorial Garden Stewardship	15,877
Romano	38,749
Severyn Dana	14,447
Conservation Defense	144,362
Land Legacy	49,416
Statutory amount due from restricted investments	<u>1,877,595</u>
Total unrestricted investments	<u>16,204,391</u>
Investments with Purpose Restrictions	
Land Legacy	108,311
Statutory amount due to unrestricted investments	(35,459)
Release from restriction	<u>(50,892)</u>
Total purpose restricted	<u>21,960</u>
Donor Restricted Endowments	
General Restricted	951,930
Caratunk	905,946
Walter Hammond Kimball	59,894
Jonathan H. Harwood	10,990
John Raleigh Eldred	72,430
Margaret Robinson Knight	2,935
Davis Memorial Wildlife	39,064
Library - Danz	45,668
Constance McCarthy	61,167
Dickens Farm	135,002
Viall Memorial Library	2,296
South County	79,478
Lonesome Swamp	4,651
Grout Memorial	15,726
McAlpine	15,509
McKenzie Wildlife	51,956
Hicks-Borden	66,024
Touisset Marsh	94,097
Fisherville Brook	186,231
Norman A. Deslauriers	363,072
Norman A. Deslauriers – B	765,556
Fort Nature Refuge	373,827
Kraus Wildlife	1,352,608
Little Rest Bird Club	265,566
Prudence Island	5,272
Statutory amount due to unrestricted investments	<u>(1,842,136)</u>
Total donor restricted	<u>4,084,759</u>
Total investments held by Citizens Bank of Rhode Island	<u>\$ 20,311,110</u>

Note: This schedule was prepared from information furnished by Citizens Bank of Rhode Island agents. Actual market value consists of the fair value of the securities within the investment fund.

The notes are an integral part of these financial statements.