

THE AUDUBON SOCIETY OF RHODE ISLAND

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**Financial Statements with
Supplementary Information**

December 31, 2020

Mullen Scorpio Cerilli

**Certified Public Accountants
Business Consultants**

Mullen Scorpio Cerilli

THE AUDUBON SOCIETY OF RHODE ISLAND

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

Independent Auditors' Report

We have audited the accompanying financial statements of The Audubon Society of Rhode Island (a Rhode Island nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Mullen Scorpio Cerilli

The Audubon Society of Rhode Island

Opinion

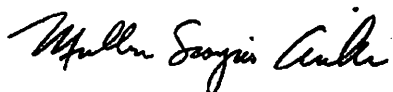
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Audubon Society of Rhode Island as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Audubon Society of Rhode Island's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, 2020 on page 23 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.



December 16, 2021
Providence, Rhode Island

THE AUDUBON SOCIETY OF RHODE ISLAND

Statement of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 981,315	\$ 576,016
Pledges and grants receivable	131,786	108,182
Inventory	21,773	20,124
Prepaid expenses	<u>3,543</u>	<u>7,331</u>
Total current assets	1,138,417	711,653
Noncurrent assets:		
Property and equipment, net of accumulated depreciation	3,134,010	3,308,979
Investments, at market	18,240,869	16,835,930
Investments held by others, at market	209,275	193,926
Refuges, land and buildings	<u>14,220,918</u>	<u>13,230,918</u>
Total noncurrent assets	<u>35,805,072</u>	<u>33,569,753</u>
Total assets	<u><u>\$36,943,489</u></u>	<u><u>\$34,281,406</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 41,824	\$ 50,792
Accrued payroll and compensated absences	108,699	151,902
Line of credit	60,000	60,000
Charitable gift annuity, current portion	1,141	1,087
Deferred revenue	<u>20,175</u>	<u>6,345</u>
Total current liabilities	231,839	270,126
Noncurrent liabilities		
Charitable gift annuity, noncurrent portion	<u>17,032</u>	<u>18,173</u>
Total liabilities	248,871	288,299
Net assets:		
Without donor restrictions		
Operating, available for programs	756,020	289,961
Property and equipment	3,134,010	3,308,979
Board designated for long-term investment	<u>14,410,535</u>	<u>12,998,911</u>
Total without donor restrictions	18,300,565	16,597,851
With donor restrictions	<u>18,394,053</u>	<u>17,395,256</u>
Total net assets	<u>36,694,618</u>	<u>33,993,107</u>
Total liabilities and net assets	<u><u>\$36,943,489</u></u>	<u><u>\$34,281,406</u></u>

The notes are an integral part of these financial statements.

THE AUDUBON SOCIETY OF RHODE ISLAND
Statement of Activities
Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and support:				
Public support:				
Contributions	\$ 912,882	\$ 205,732	\$ 1,118,614	\$ 1,507,500
PPP loan forgiveness	319,600	-	319,600	-
Program and other revenue:				
Program fees	42,679	-	42,679	229,113
Sale of merchandise	41,991	-	41,991	55,316
Rental income	73,118	-	73,118	60,836
Programmatic grants and contracts	612,489	-	612,489	511,276
Admissions and other income	58,554	-	58,554	237,361
Investment return designated for current operations	658,317	184,541	842,858	847,712
Total revenues and support	2,719,630	390,273	3,109,903	3,449,114
Reclassifications - net assets released from restrictions	381,476	(381,476)	-	-
Total revenues, support and reclassifications	3,101,106	8,797	3,109,903	3,449,114
Expenses:				
Program services:				
Properties and conservation	689,456	-	689,456	762,139
Educational and public programs	405,387	-	405,387	445,035
Environmental education center	310,258	-	310,258	369,947
Grants and contracts	388,903	-	388,903	457,962
Sale of program merchandise	37,498	-	37,498	69,696
Advocacy	210,788	-	210,788	111,672
Total program services	2,042,290	-	2,042,290	2,216,451
Supporting services:				
General and administrative	425,173	-	425,173	444,674
Fundraising	357,072	-	357,072	408,271
Total expenses	2,824,535	-	2,824,535	3,069,396
Program operating income (loss)	276,571	8,797	285,368	379,718
Non-operating activities:				
Transfer of land	-	-	-	(616,210)
Contribution of conservation easement	-	990,000	990,000	-
Investment return less amounts designated for current operations	1,097,333	307,607	1,404,940	1,943,168
Investment return from investment held by others	21,203	-	21,203	24,832
Statutory increase / (decrease) in restricted net assets	307,607	(307,607)	-	-
Change in net assets	1,702,714	998,797	2,701,511	1,731,508
Net assets – beginning	16,597,851	17,395,256	33,993,107	32,261,599
Net assets – ending	<u>\$ 18,300,565</u>	<u>\$ 18,394,053</u>	<u>\$ 36,694,618</u>	<u>\$ 33,993,107</u>

The notes are an integral part of these financial statements.

THE AUDUBON SOCIETY OF RHODE ISLAND
Statement of Functional Expenses
Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	2020							2019			
	Program Services					Supporting Services					
	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	Total
Salaries	\$ 278,887	\$ 254,030	\$ 76,195	\$ 303,597	\$ 13,404	\$ 126,330	\$ 1,052,443	\$ 232,685	\$ 179,032	\$ 1,464,160	\$ 1,513,178
Payroll taxes	21,735	19,257	5,945	23,833	1,255	9,728	81,753	18,175	14,270	114,198	108,420
Employee benefits	53,949	38,921	6,760	36,783	-	25,086	161,499	71,302	19,871	252,672	258,120
Professional fees	1,039	120	-	-	-	2,000	3,159	22,262	39,008	64,429	108,919
Program expenses	36,352	12,101	37,714	22,721	-	20,128	129,016	2,305	273	131,594	180,507
Repairs, maintenance, tools and services	10,039	5,150	10,710	994	-	1,734	28,627	-	-	28,627	52,437
Utilities and rent	38,331	-	45,351	-	-	-	83,682	-	-	83,682	92,446
Insurance	23,386	11,693	11,693	-	-	23,385	70,157	11,693	11,693	93,543	81,568
Vehicle expense	15,345	3,147	93	66	-	295	18,946	1,013	1,639	21,598	29,506
Supplies	-	-	-	-	-	-	-	-	-	-	9,893
Telephone	7,632	-	2,726	-	-	-	10,358	9,997	-	20,355	19,973
Office, printing and postage	924	946	2,112	-	-	80	4,062	11,638	51,632	67,332	70,598
Wildlife and property management	71,069	25,106	33,403	-	-	-	129,578	-	-	129,578	135,041
Merchandise	-	-	300	-	18,487	-	18,787	-	-	18,787	26,296
Advertising and public communications	-	1,060	-	-	-	2,002	3,062	-	6,202	9,264	14,612
Computer expenses	1,640	1,666	-	-	2,740	-	6,046	7,327	11,495	24,868	15,166
Conferences and meetings	-	-	-	740	-	-	740	-	-	740	17,232
Interest	-	-	-	-	-	-	-	2,208	-	2,208	783
Special events	-	-	-	169	-	-	169	-	-	169	22,277
Development and fundraising	-	-	-	-	-	-	-	164	12,507	12,671	40,532
Other expenses	370	-	-	-	1,612	20	2,002	15,090	9,450	26,542	17,827
Total expenses before depreciation	560,698	373,197	233,002	388,903	37,498	210,788	1,804,086	405,859	357,072	2,567,017	2,815,331
Depreciation	128,758	32,190	77,256	-	-	-	238,204	19,314	-	257,518	254,065
Total expenses	\$ 689,456	\$ 405,387	\$ 310,258	\$ 388,903	\$ 37,498	\$ 210,788	\$ 2,042,290	\$ 425,173	\$ 357,072	\$ 2,824,535	\$ 3,069,396

The notes are an integral part of these financial statements.

THE AUDUBON SOCIETY OF RHODE ISLAND

Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,701,511	\$ 1,731,508
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	257,518	254,065
Realized and unrealized (gains) losses on investments	(2,007,845)	(2,528,959)
Transfer of land	-	616,210
Contribution of conservation easement	(990,000)	-
Changes in current assets and liabilities:		
Accounts receivable	(23,604)	(32,176)
Inventory	(1,649)	(2,418)
Prepaid expenses	3,788	32
Accounts payable and accrued expenses	(52,171)	36,550
Charitable gift annuity	(1,087)	(1,035)
Deferred revenue	13,830	6,345
Net cash provided / (used) by operating activities	<u>(99,709)</u>	<u>80,122</u>
Cash flows from investing activities:		
Property and equipment expenditures	(82,548)	(256,668)
Purchase of investments	(1,845,124)	(4,815,574)
Proceeds from sale of investments	2,432,680	4,990,142
Net cash provided / (used) by investing activities	<u>505,008</u>	<u>(82,100)</u>
Cash flows from financing activities:		
Line of credit disbursement	-	60,000
Net cash provided / (used) by financing activities	<u>-</u>	<u>60,000</u>
Net increase (decrease) in cash	405,299	58,022
Cash and cash equivalents - beginning	<u>576,016</u>	<u>517,994</u>
Cash and cash equivalents - end	<u>\$ 981,315</u>	<u>\$ 576,016</u>
Interest paid	<u>\$ 2,208</u>	<u>\$ 783</u>

The notes are an integral part of these financial statements.

THE AUDUBON SOCIETY OF RHODE ISLAND

Notes to Financial Statements

December 31, 2020

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 of 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 \$200,000 that have not been recognized as of December 31, 2020 because qualifying expenditures have not yet been incurred.

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 2020 presentation.

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, 2020 and 2019, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 922,122	\$ 576,016
Accounts receivable	131,786	108,182
Investments	<u>18,240,869</u>	<u>16,835,930</u>
Total financial assets	19,294,777	17,520,128
Less net assets with purpose restrictions	(377,957)	(369,160)
Less endowment funds with perpetual restrictions	(3,795,178)	(3,795,178)
Less board designated quasi-endowment	(14,410,535)	(12,998,911)
Add scheduled endowment draw	<u>843,000</u>	<u>850,073</u>
Financial assets available for general expenditures within one year	<u>\$ 1,554,107</u>	<u>\$ 1,206,952</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, 2020 and 2019 amounted to \$21,773 and \$20,124, respectively.

Note 5 - Property and Equipment

As of December 31, 2020 and 2019, the property and equipment of the Society consisted of the following:

	<u>2020</u>	<u>2019</u>
Land, building and improvements	\$ 6,417,720	\$ 6,327,673
Machinery, furniture, and equipment	1,297,186	1,297,186
Vehicles	282,118	282,118
Construction in progress	-	6,665
Total property and equipment	7,997,024	7,913,642
Less: accumulated depreciation	<u>(4,863,014)</u>	<u>(4,604,663)</u>
Net property and equipment	<u>\$ 3,134,010</u>	<u>\$ 3,308,979</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$257,518 and \$254,065, respectively.

Note 6 - Investments

Investments are recorded at fair value and consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>
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>
	<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>
Money market and cash equivalents	\$ 374,941	\$ 374,941
Equity	8,140,397	10,683,496
Fixed income	5,600,614	5,777,493
Total	<u>\$ 14,115,952</u>	<u>\$ 16,835,930</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, 2020 and 2019 was as follows:

	2020	2019
Beginning balance	\$ 193,926	\$ 98,985
Contribution	-	75,000
Investment return	22,504	25,919
Funds released	(5,854)	(4,891)
Fees	(1,301)	(1,087)
Ending balance	\$ 209,275	\$ 193,926

Note 8 - Investment Income

Investment income for the years ended December 31, 2020 and 2019 was comprised of the following:

	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	\$ 1,097,333	\$ 307,607	\$ 1,404,940

Note 8 continued on the next page.

Note 8 - Investment Income (continued)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 269,235	\$ 76,072	\$ 345,307
Net realized and unrealized gains (losses)	1,955,181	550,383	2,505,564
Management fees	(46,813)	(13,178)	(59,991)
Total return on investment	2,177,603	613,277	2,790,880
Investment return designated for current operations	(661,500)	(186,212)	(847,712)
Investment return less amounts designated for current operations	\$ 1,516,103	\$ 427,065	\$ 1,943,168

Note 9 - Fair Value Measurements

The following table presents the Society's assets that are included in fair value measurements at December 31, 2020 and 2019 within the fair value hierarchy:

Investments:	2020	2019
Level 1:		
US Government, corporate and foreign bonds - fixed income	\$ 5,816,225	\$ 5,777,493
Common and preferred stocks - equities	12,098,388	10,683,496
Money market and cash	326,256	374,941
Total level 1	18,240,869	16,835,930
Level 2	-	-
Level 3	-	-
Total investments	\$ 18,240,869	\$ 16,835,930
Investments held by others:		
Level 1	\$ -	\$ -
Level 2	-	-
Level 3:		
Rhode Island Foundation Flexible Endowment Fund	209,275	193,926
Total investments held by others	\$ 209,275	\$ 193,926

Note 9 continued on the next page.

Note 9 - Fair Value Measurements (continued)

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.

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 2020, 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, 2020 and 2019:

	2020		Total
	Without donor restrictions	With donor restrictions	
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>

Note 10 continued on the next page.

Note 10 - Endowment (continued)

	2019		Total
	Without donor restrictions	With donor restrictions	
Donor-restricted endowment funds	\$ -	\$ 3,837,019	\$ 3,837,019
Board designated endowment funds	12,998,911	-	12,998,911
Total	\$ 12,998,911	\$ 3,837,019	\$ 16,835,930

Endowment activities were as follows for the years ended December 31, 2020 and 2019:

	2020		Total
	Without donor restrictions	With donor restrictions	
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	\$ 14,410,535	\$ 3,830,334	\$ 18,240,869

	2019		Total
	Without donor restrictions	With donor restrictions	
Endowment net assets, beginning of year	\$ 11,159,290	\$ 3,417,188	\$ 14,576,478
Contributions	316,284	-	316,284
Investment return:			
Investment income	269,235	76,072	345,307
Net realized and unrealized gains (losses)	1,955,181	550,383	2,505,564
Investment fees	(46,813)	(13,178)	(59,991)
Appropriation for operational support	(661,500)	(186,212)	(847,712)
Release from restriction	9,445	(9,445)	-
Reclassification of contributions	(429,276)	429,276	-
Change in statutory increase/(decrease)	427,065	(427,065)	-
Endowment net assets, end of year	\$ 12,998,911	\$ 3,837,019	\$ 16,835,930

Note 10 continued on the next page.

Note 10 - Endowment (continued)

Reconciliation of endowment assets to total net assets at December 31, 2020 and 2019:

	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment assets and those functioning as endowment assets	\$ 14,410,536	\$ 3,830,333	\$ 18,240,869
Other net assets	3,890,029	14,563,720	18,453,749
Total net assets	<u>\$ 18,300,565</u>	<u>\$ 18,394,053</u>	<u>\$ 36,694,618</u>

	2019		
	Without donor restrictions	With donor restrictions	Total
Endowment assets and those functioning as endowment assets	\$ 12,998,911	\$ 3,837,019	\$ 16,835,930
Other net assets	3,598,940	13,558,237	17,157,177
Total net assets	<u>\$ 16,597,851</u>	<u>\$ 17,395,256</u>	<u>\$ 33,993,107</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, 2020 and 2019 was 3.15% and 4.8%, respectively. At December 31, 2020 and 2019 the balance of the line of credit was \$60,000.

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, 2020 and 2019, the National Audubon Society transferred \$51,126 and \$50,148, respectively, to the Society. At December 31, 2020 and 2019, the market value of this fund amounted to \$1,290,592 and \$1,254,480, 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, 2020 and 2019, the Rhode Island Foundation transferred \$291,143 and \$228,571, 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, 2020 and 2019 the remaining gift annuity balance was \$18,173 and \$19,260, 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, 2020 and 2019 was \$32,271 and \$27,665, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Quasi-endowment	<u>\$ 14,410,535</u>	<u>\$ 12,998,911</u>
Total investments	<u>\$ 14,410,535</u>	<u>\$ 12,998,911</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, 2020 and 2019, the Society had an uninsured cash balance of \$704,545 and \$418,875, 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 income may be utilized by the Society. The composition of net assets with donor restrictions is as follows at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Donor restricted net assets not subject to appropriation or expenditure:		
Donor restricted endowments	\$ 3,795,178	\$ 3,795,178
Refuges land and buildings	<u>14,220,918</u>	<u>13,230,918</u>
Total donor restricted net assets not subject to appropriation or expenditures	18,016,096	17,026,096
Subject to expenditure for specified purpose:		
Land acquisitions	40,155	41,841
National Audubon - Eppley	9,597	9,597
Camp Scholarships	16,055	15,795
Education Transportation	12,891	15,001
Urban Environmental Education	143,312	68,580
Rose Garden	8,678	34,946
Youth Conservation League	47,200	42,200
Educational exhibit development	24,087	29,000
Caratunk trails	12,149	-
Strategic planning and sustainability	-	1,200
Caratunk Visitors Center improvements	35,620	85,000
Land conservation and stewardship	<u>28,213</u>	<u>26,000</u>
Total restrictions for specified purposes	<u>377,957</u>	<u>369,160</u>
Total net assets with donor restrictions	<u>\$ 18,394,053</u>	<u>\$ 17,395,256</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, 2020 and 2019 due to the satisfaction of donor-imposed restrictions:

	2020	2019
Caratunk trails	\$ 2,851	\$ -
Educational programs	89,181	54,708
Pollinator habitat	-	11,025
Caratunk parking lot expansion	-	3,725
Land Trust Accreditation	-	5,000
Youth Conservation League	-	23,200
Social media outreach	-	13,462
Education transportation	2,110	9,067
Camp Scholarships	-	7,463
Land acquisitions and stewardship	25,946	9,445
Rose Garden	26,267	18,432
Caratunk Visitor's Center improvements	49,380	-
Grassland habitat restoration	-	15,000
Strategic planning and sustainability	1,200	8,800
Investment return designated for current operations	184,541	186,212
	<u>\$ 381,476</u>	<u>\$ 365,539</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 expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time. The Society applied for and received Paycheck Protection Program funds in the amount of \$319,600 made available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act that provided short term operating support.

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.

Note 22 - Subsequent Events

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 disclosed in Note 20 had been met and no amount was required to be returned.

Management has evaluated all subsequent events through December 16, 2021, the date the financial statements were available to be issued.

THE AUDUBON SOCIETY OF RHODE ISLAND

Supplementary Information

Year Ended December 31, 2020

THE AUDUBON SOCIETY OF RHODE ISLAND
Schedule of Investments Held by Citizens Bank of Rhode Island as of December 31, 2020

	Actual Market Value of Units
Board Designated Investments - Designated for Long term investments	
General Unrestricted	\$ 398,608
Edith Becker	2,562,970
George B. Parker	49,667
Parker Woodland	424,986
Everett F. Southwick	88,689
Barter-Moore	272,984
Powder Mill Ledges	1,118,093
Sanford	297,979
Larkin Wildlife	99,567
Kinsey	1,632,444
Employee salary and compensation	95,183
Bristol Education Center	102,420
P. Hollis	33,401
Alice O. Harris	370,119
Donna-Jean Rainville	37,030
Cottrell	156,231
Aust-Capron Memorial	4,451,944
Lorraine Leaney	342,808
Bayward Ewing	257,625
MCR Beckett	17,536
Kimball Memorial Garden Stewardship	13,657
Romano	33,335
Severyn Dana	12,431
Conservation Defense	124,186
Land Legacy	37,697
Statutory amount due from restricted investments	1,378,945
Total unrestricted investments	<u>14,410,535</u>
Investments with Purpose Restrictions	
Land Legacy	93,455
Statutory amount due to unrestricted investments	(20,602)
Release from restriction	(37,697)
Total purpose restricted	<u>35,156</u>
Donor Restricted Endowments	
General Restricted	640,832
Caratunk	822,274
Walter Hammond Kimball	54,403
Jonathan H. Harwood	10,007
John Raleigh Eldred	65,748
Margaret Robinson Knight	2,622
Davis Memorial Wildlife	35,462
Library - Danz	41,427
Constance McCarthy	55,501
Dickens Farm	122,550
Viall Memorial Library	2,071
South County	72,177
Lonesome Swamp	4,188
Grout Memorial	14,270
McAlpine	14,084
McKenzie Wildlife	47,113
Hicks-Borden	59,954
Touisset Marsh	82,535
Fisherville Brook	169,033
Norman A. Deslauriers	329,522
Norman A. Deslauriers - B	694,905
Fort Nature Refuge	339,327
Kraus Wildlife	1,227,701
Little Rest Bird Club	241,002
Prudence Island	4,813
Statutory amount due to unrestricted investments	(1,358,343)
Total donor restricted	<u>3,795,178</u>
Total investments held by Citizens Bank of Rhode Island	<u>\$ 18,240,869</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.