

THE AUDUBON SOCIETY OF RHODE ISLAND

*** * * * ***

**Financial Statements with
Supplementary Information**

December 31, 2019

Mullen Scorpio Cerilli

**Certified Public Accountants
Business Consultants**

Mullen Scorpio Cerilli

THE AUDUBON SOCIETY OF RHODE ISLAND

Table of Contents

December 31, 2019

	<i>Page</i>
Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Schedule of Cash Flows	6
Notes to Financial Statements	7-20
 <i>Supplementary Information</i> 	
Schedule of Investments Held by Citizens Bank	22

Mullen Scorpio Cerilli

Certified Public Accountants
Business Consultants

67 Cedar Street, Suite 106
Providence, Rhode Island 02903
401-751-3860
401-751-3987 Fax
www.mullenscorpiorcerilli.com

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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, 2019 on page 20 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.



November 4, 2020
Providence, Rhode Island

THE AUDUBON SOCIETY OF RHODE ISLAND

Statement of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 576,016	\$ 517,994
Accounts receivable	108,182	76,007
Inventory	20,124	17,706
Prepaid expenses	<u>7,331</u>	<u>7,363</u>
Total current assets	711,653	619,070
Noncurrent assets:		
Property and equipment (net of accumulated depreciation)	3,308,979	3,456,376
Investments (at market)	16,835,930	14,576,478
Investments held by others (at market)	193,926	98,985
Refuges, land and buildings	<u>13,230,918</u>	<u>13,697,128</u>
Total noncurrent assets	<u>33,569,753</u>	<u>31,828,967</u>
Total assets	<u>\$ 34,281,406</u>	<u>\$ 32,448,037</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 50,792	\$ 33,366
Accrued payroll and compensated absences	151,902	132,777
Line of credit	60,000	-
Charitable gift annuity, current portion	963	1,015
Deferred revenue	<u>6,345</u>	<u>-</u>
Total current liabilities	270,002	167,158
Noncurrent liabilities		
Charitable gift annuity, noncurrent portion	<u>18,297</u>	<u>19,280</u>
Total liabilities	288,299	186,438
Net assets:		
Without donor restrictions		
Operating, available for programs	289,961	307,941
Property and equipment	3,308,979	3,456,376
Board designated for long-term investment	<u>12,998,911</u>	<u>11,159,290</u>
Total without donor restrictions	16,597,851	14,923,607
With donor restrictions	<u>17,395,256</u>	<u>17,337,992</u>
Total net assets	<u>33,993,107</u>	<u>32,261,599</u>
Total liabilities and net assets	<u>\$ 34,281,406</u>	<u>\$ 32,448,037</u>

The notes are an integral part of these financial statements.

THE AUDUBON SOCIETY OF RHODE ISLAND
Statement of Activities
Year Ended December 31, 2019
(With Comparative Totals for the year ended December 31, 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and support:				
Public support:				
Contributions	\$ 1,083,975	\$ 423,525	\$ 1,507,500	\$ 1,196,251
In-kind donations	-	-	-	4,497
Program and other revenue:				
Program fees	229,113	-	229,113	241,808
Sale of merchandise	55,316	-	55,316	50,657
Rental income	60,836	-	60,836	63,506
Government contracts	511,276	-	511,276	468,777
Admissions and other income	237,361	-	237,361	273,723
Investment return designated for current operations	661,500	186,212	847,712	821,744
Total revenues and support	2,839,377	609,737	3,449,114	3,120,963
Reclassification - net assets released from restrictions	365,539	(365,539)	-	-
Total revenues, support and reclassifications	3,204,916	244,198	3,449,114	3,120,963
Expenses:				
Program services:				
Properties and conservation	762,139	-	762,139	664,826
Educational and public programs	445,035	-	445,035	402,685
Environmental education center	369,947	-	369,947	352,550
Grants and contracts	457,962	-	457,962	447,480
Sale of program merchandise	69,696	-	69,696	74,824
Advocacy	111,672	-	111,672	108,790
Total program services	2,216,451	-	2,216,451	2,051,155
Supporting services:				
General and administrative	444,674	-	444,674	480,815
Fundraising	408,271	-	408,271	364,566
Total expenses	3,069,396	-	3,069,396	2,896,536
Program operating income (loss)	135,520	244,198	379,718	224,427
Non-operating activities:				
Transfer of land	-	(616,210)	(616,210)	-
Reclassification of contributions	(429,276)	429,276	-	-
Investment return less amounts designated for current operations	1,516,103	427,065	1,943,168	(1,274,577)
Investment return from investment held by others	24,832	-	24,832	(5,161)
Statutory increase / (decrease) in restricted net assets	427,065	(427,065)	-	-
Change in net assets	1,674,244	57,264	1,731,508	(1,055,311)
Net assets – beginning	14,923,607	17,337,992	32,261,599	33,316,910
Net assets – ending	<u>\$ 16,597,851</u>	<u>\$ 17,395,256</u>	<u>\$ 33,993,107</u>	<u>\$ 32,261,599</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, 2019
(With Comparative Totals for the year ended December 31, 2018)

	2019							2018			
	Program Services					Total Program		Supporting Services		Total	Total
	Properties and Conservation	Educational and Public Programs	Environmental Education Center	Grants and Contracts	Sale of Program Merchandise	Advocacy	Total Program	General and Administrative	Fundraising	Total	Total
Salaries	\$ 278,955	\$ 287,841	\$ 84,141	\$ 328,292	\$ 31,499	\$ 67,123	\$ 1,077,851	\$ 250,990	\$ 184,337	\$ 1,513,178	\$ 1,412,469
Payroll taxes	23,029	17,111	6,174	24,609	2,309	4,274	77,506	16,548	14,366	108,420	106,896
Employee benefits	59,196	40,371	6,213	38,915	3,680	16,876	165,251	69,065	23,804	258,120	254,847
Professional fees	12,139	11,204	150	-	-	225	23,718	28,035	57,166	108,919	104,716
Program expenses	55,870	27,537	37,322	54,928	-	1,155	176,812	1,440	2,255	180,507	140,411
Repairs, maintenance, tools and services	97,396	10,807	69,065	15	-	-	177,283	-	-	177,283	166,952
Utilities and rent	48,161	-	44,285	-	-	-	92,446	-	-	92,446	96,836
Insurance	20,392	10,196	10,196	-	-	20,392	61,176	10,196	10,196	81,568	75,051
Vehicle expense	15,635	6,580	433	-	-	1,523	24,171	2,179	3,156	29,506	26,231
Supplies	5,703	50	4,140	-	-	-	9,893	-	-	9,893	8,840
Telephone	7,538	-	2,796	-	-	-	10,334	9,639	-	19,973	19,312
Office, printing and postage	684	732	4,513	231	23	-	6,183	11,334	53,081	70,598	84,646
Wildlife and property management	9,987	-	208	-	-	-	10,195	-	-	10,195	2,198
Merchandise	94	-	95	-	26,060	47	26,296	-	-	26,296	28,253
Advertising and public communications	-	813	3,266	-	-	-	4,079	-	10,533	14,612	12,683
Computer expenses	111	-	40	-	2,779	-	2,930	12,236	-	15,166	16,357
Conferences and meetings	-	-	-	9,557	-	-	9,557	-	7,675	17,232	10,220
Interest	-	-	-	-	-	-	-	783	-	783	-
Special events	172	-	20,690	1,415	-	-	22,277	-	-	22,277	21,698
Development and fundraising	-	-	-	-	-	-	-	81	40,451	40,532	29,883
Other expenses	45	35	-	-	3,346	57	3,483	13,093	1,251	17,827	53,733
Total expenses before depreciation	635,107	413,277	293,727	457,962	69,696	111,672	1,981,441	425,619	408,271	2,815,331	2,672,232
Depreciation	127,032	31,758	76,220	-	-	-	235,010	19,055	-	254,065	224,304
Total expenses	\$ 762,139	\$ 445,035	\$ 369,947	\$ 457,962	\$ 69,696	\$ 111,672	\$ 2,216,451	\$ 444,674	\$ 408,271	\$ 3,069,396	\$ 2,896,536

THE AUDUBON SOCIETY OF RHODE ISLAND

Statement of Cash Flows

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,731,508	\$ (1,055,311)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	254,065	224,304
Realized and unrealized (gains) losses on sale of investments	(2,528,959)	770,919
Gain on sale of fixed asset	-	(400)
Transfer of land	616,210	-
Changes in current assets and liabilities:		
Accounts receivable	(32,176)	2,033
Inventory	(2,418)	(1,675)
Prepaid expenses	32	(1,066)
Accounts payable and accrued expenses	36,550	(41,054)
Charitable gift annuity	(1,035)	(986)
Deferred revenue	6,345	(10,705)
Net cash provided / (used) by operating activities	<u>80,122</u>	<u>(113,941)</u>
Cash flows from investing activities:		
Property and equipment expenditures	(256,668)	(543,447)
Purchase of investments	(4,815,574)	(8,731,600)
Proceeds from sale of investments	4,990,142	9,301,925
Net cash provided / (used) by investing activities	<u>(82,100)</u>	<u>26,878</u>
Cash flows from financing activities:		
Line of credit disbursement	60,000	-
Net cash provided / (used) by financing activities	<u>60,000</u>	<u>-</u>
Net increase (decrease) in cash	58,022	(87,063)
Cash and cash equivalents - beginning	<u>517,994</u>	<u>605,057</u>
Cash and cash equivalents - end	<u>\$ 576,016</u>	<u>\$ 517,994</u>
Interest paid	<u>\$ 783</u>	<u>\$ -</u>

The notes are an integral part of these financial statements.

THE AUDUBON SOCIETY OF RHODE ISLAND

Notes to Financial Statements

December 31, 2019

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 has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Society's financial reporting.

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 received cost-reimbursable contracts of approximately \$177,500 that have not been recognized as of December 31, 2019 because qualifying expenditures have not yet been incurred.

Note 2 continued on the next page.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Analysis of various provisions of this standard resulted in no significant changes in the way the Society recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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 2019 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, 2019 and 2018, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 576,016	\$ 517,994
Accounts receivable	108,182	76,007
Investments	16,835,930	14,576,478
Total financial assets	<u>17,520,128</u>	<u>15,170,479</u>
Less net assets with purpose restrictions	(369,160)	(274,962)
Less endowment funds with perpetual restrictions	(3,795,178)	(3,365,902)
Less board designated quasi-endowment	(12,998,911)	(11,159,290)
Add scheduled endowment draw	<u>850,073</u>	<u>850,073</u>
Financial assets available for general expenditures within one year	<u>\$ 1,206,952</u>	<u>\$ 1,220,398</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, 2019 and 2018 amounted to \$20,124 and \$17,706, respectively.

Note 5 - Property and Equipment

As of December 31, 2019 and 2018, the property and equipment of the Society consisted of the following:

	<u>2019</u>	<u>2018</u>
Land, building and improvements	\$ 6,327,673	\$ 6,031,232
Machinery, furniture, and equipment	1,297,186	1,272,668
Vehicles	282,118	270,133
Construction in progress	<u>6,665</u>	<u>232,941</u>
Total property and equipment	7,913,642	7,913,642
Less: accumulated depreciation	<u>(4,604,663)</u>	<u>(4,350,598)</u>
Net property and equipment	<u>\$ 3,308,979</u>	<u>\$ 3,456,376</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$254,065 and \$224,303, respectively.

Note 6 - Investments

Investments are recorded at fair value and consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>
Money market and cash equivalents	\$ 341,941	\$ 374,941
Equity	8,140,397	10,683,496
Fixed income	<u>5,600,614</u>	<u>5,777,493</u>
Total	<u>\$ 14,082,952</u>	<u>\$ 16,835,930</u>
	<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>
Money market and cash equivalents	\$ 225,339	\$ 225,339
Equity	8,383,459	8,869,139
Fixed income	<u>5,598,397</u>	<u>5,482,000</u>
Total	<u>\$ 14,207,195</u>	<u>\$ 14,576,478</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, 2019 and 2018 was as follows:

	2019	2018
Beginning balance	\$ 98,985	\$ 108,643
Contribution	75,000	-
Investment return	25,919	(4,162)
Funds released	(4,891)	(4,497)
Fees	(1,087)	(999)
Ending balance	<u>\$ 193,926</u>	<u>\$ 98,985</u>

Note 8 - Investment Income

Investment income for the years ended December 31, 2019 and 2018 was comprised of the following:

	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	<u>(661,500)</u>	<u>(186,212)</u>	<u>(847,712)</u>
Investment return less amounts designated for current operations	<u>\$ 1,516,103</u>	<u>\$ 427,065</u>	<u>\$ 1,943,168</u>

Note 8 - Investment Income (continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 291,100	\$ 85,025	\$ 376,125
Net realized and unrealized gains (losses)	(594,542)	(174,270)	(768,812)
Management fees	(46,550)	(13,596)	(60,146)
Total return on investment	(349,992)	(102,841)	(452,833)
Investment return designated for current operations	(635,985)	(185,759)	(821,744)
Investment return less amounts designated for current operations	<u>\$ (985,977)</u>	<u>\$ (288,600)</u>	<u>\$ (1,274,577)</u>

Note 9 - Fair Value Measurements

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

	2019	2018
Investments:		
Level 1:		
US Government, corporate and foreign bonds - fixed income	\$ 5,777,493	\$ 5,482,000
Common and preferred stocks - equities	10,683,496	8,869,139
Money market and cash	374,941	225,339
Total level 1	16,835,930	14,576,478
Level 2	-	-
Level 3	-	-
Total investments	<u>\$ 16,835,930</u>	<u>\$ 14,576,478</u>
Investments held by others:		
Level 1	\$ -	\$ -
Level 2	-	-
Level 3:		
Rhode Island Foundation Flexible Endowment Fund	193,926	98,985
Total investments held by others	<u>\$ 193,926</u>	<u>\$ 98,985</u>

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 2019, the Society's spending-rate formula was calculated at 5.75% 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, 2019 and 2018:

	2019		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 3,837,019	\$ 3,437,019
Board designated endowment funds	12,998,911	-	13,428,187
Total	<u>\$ 12,998,911</u>	<u>\$ 3,837,019</u>	<u>\$ 16,835,930</u>

Note 10 continued on the next page.

Note 10 - Endowment (continued)

	2018		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 3,417,188	\$ 3,417,188
Board designated endowment funds	11,159,290	-	11,159,290
Total	\$ 11,159,290	\$ 3,417,188	\$ 14,576,478

Endowment activities were as follows for the years ended December 31, 2019 and 2018:

	2019		
	Without donor restrictions	With donor restrictions	Total
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

	2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 12,468,884	\$ 3,438,754	\$ 15,907,638
Contributions	279,576	-	279,576
Investment return:			
Investment income	289,050	85,025	374,075
Net realized and unrealized gains (losses)	(596,651)	(174,270)	(770,921)
Investment fees	(46,550)	(13,596)	(60,146)
Appropriation for operational support	(635,985)	(185,759)	(821,744)
Release from restriction	(256,950)	(75,050)	(332,000)
Change in statutory increase/(decrease)	(342,084)	342,084	-
Endowment net assets, end of year	\$ 11,159,290	\$ 3,417,188	\$ 14,576,478

Note 10 continued on the next page.

Note 10 - Endowment (continued)

Reconciliation of endowment assets to total net assets at December 31, 2019 and 2018:

	2019		Total
	Without donor restrictions	With donor restrictions	
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>

	2018		Total
	Without donor restrictions	With donor restrictions	
Endowment assets and those functioning as endowment assets	\$ 11,159,290	\$ 3,417,188	\$ 14,576,478
Other net assets	3,764,317	13,920,804	17,685,121
Total net assets	<u>\$ 14,923,607</u>	<u>\$ 17,337,992</u>	<u>\$ 32,261,599</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, 2019 was 4.8%. At December 31, 2019 and 2018 the balance of the line of credit was \$60,000 and \$0, 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, 2019 and 2018, the National Audubon Society transferred \$50,148 and \$48,702, respectively, to the Society. At December 31, 2019 and 2018, the market value of this fund amounted to \$1,254,480 and \$1,097,107, 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, 2019 and 2018, the Rhode Island Foundation transferred \$228,571 and \$274,214, 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, 2019 and 2018 the remaining gift annuity balance was \$19,260 and \$20,295, 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, 2019 and 2018 was \$27,665 and \$25,718, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Quasi-endowment	<u>\$ 12,998,911</u>	<u>\$ 11,159,290</u>
Total investments	<u>\$ 12,998,911</u>	<u>\$ 11,159,290</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, 2019 and 2018, the Society had an uninsured cash balance of \$418,875 and \$329,432, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Donor restricted net assets not subject to appropriation or expenditure:		
Donor restricted endowments	\$ 3,795,178	\$ 3,365,902
Refuges land and buildings	<u>13,230,918</u>	<u>13,697,128</u>
Total donor restricted net assets not subject to appropriation or expenditures	17,026,096	17,063,030
Subject to expenditure for specified purpose:		
Land acquisitions	41,841	51,286
National Audubon - Eppley	9,597	9,597
Camp Scholarships	15,795	15,753
Land Trust Accreditation	-	5,000
Education Transportation	15,001	21,698
Urban Environmental Education	68,580	40,038
Pollinator Habitat	-	11,025
Rose Garden	34,946	33,378
Youth Conservation League	42,200	22,000
Caratunk parking lot expansion	-	3,725
Educational exhibit development	29,000	23,000
Grassland habitat restoration	-	15,000
Social media outreach	-	13,462
Strategic planning and sustainability	1,200	10,000
Caratunk Visitors Center improvements	85,000	-
Community land stewardship	26,000	-
Total restrictions for specified purposes	<u>369,160</u>	<u>274,962</u>
Total net assets with donor restrictions	<u>\$ 17,395,256</u>	<u>\$ 17,337,992</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, 2019 and 2018 due to the satisfaction of donor-imposed restrictions:

	<u>2019</u>	<u>2018</u>
Pavilion and trails	\$ -	\$ 12,862
Educational programs	54,708	41,489
Pollinator habitat	11,025	7,000
Caratunk parking lot expansion	3,725	110,275
Land Trust Accreditation	5,000	30,939
Youth Conservation League	23,200	26,503
Social media outreach	13,462	11,538
Education transportation	9,067	7,939
Camp Scholarships	7,463	5,113
Land acquisitions	9,445	31,566
Rose Garden	18,432	50,525
RI DEM - Prudence Island	-	14,326
Grassland habitat restoration	15,000	-
Strategic planning and sustainability	8,800	-
Investment return designated for current operations	<u>186,212</u>	<u>185,759</u>
Total net assets released from restrictions	<u>\$ 365,539</u>	<u>\$ 535,834</u>

Note 19 - Subsequent Events

The COVID-19 outbreak in the United States, and specifically Rhode Island, has 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 Organization has applied for the Paycheck Protection Program through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide short term operating support and has received \$319,600. The Society believes that the loan funds received as well as its board designated reserves are sufficient to enable it to continue to fulfill its core mission in the intermediate term.

Management has evaluated all subsequent events through November 4, 2020, the date the financial statements were available to be issued.

THE AUDUBON SOCIETY OF RHODE ISLAND

Supplementary Information

Year Ended December 31, 2019

THE AUDUBON SOCIETY OF RHODE ISLAND
Schedule of Investments Held by Citizens Bank of Rhode Island as of December 31, 2019

	<u>Actual Market Value of Units</u>
Board Designated Investments - Designated for Long term investments	
General Unrestricted	\$ 222,883
Edith Becker	2,367,600
George B. Parker	45,882
Parker Woodland	392,589
Everett F. Southwick	81,928
Barter-Moore	252,177
Powder Mill Ledges	1,032,863
Sanford	275,267
Larkin Wildlife	91,977
Kinsey	1,508,008
Employee salary and compensation	87,926
Bristol Education Center	94,611
P. Hollis	30,856
Alice O. Harris	341,907
Donna-Jean Rainville	34,649
Cottrell	144,321
Aust-Capron Memorial	4,112,583
Lorraine Leaney	316,677
Bayward Ewing	237,988
MCR Beckett	16,199
Kimball Memorial Garden Stewardship	12,024
Romano	29,346
Severyn Dana	10,944
Conservation Defense	109,329
Land Legacy	9,115
Cash amounts in-transit from Audubon Society	96,050
Statutory amount due from restricted investments	1,043,212
Total unrestricted investments	<u>\$ 12,998,911</u>
Investments with Purpose Restrictions	
Land Legacy	\$ 82,531
Statutory amount due from unrestricted investments	(31,245)
Release from restriction	(9,445)
Total temporarily restricted	<u>41,841</u>
Donor Restricted Endowments	
General Restricted	625,321
Caratunk	761,988
Walter Hammond Kimball	50,412
Jonathan H. Harwood	9,271
John Raleigh Eldred	60,926
Margaret Robinson Knight	2,431
Davis Memorial Wildlife	32,863
Library - Danz	38,389
Constance McCarthy	51,431
Dickens Farm	113,565
Viall Memorial Library	1,921
South County	66,885
Lonesome Swamp	3,881
Grout Memorial	13,223
McAlpine	13,051
McKenzie Wildlife	43,657
Hicks-Borden	55,558
Touisset Marsh	76,483
Fisherville Brook	156,640
Norman A. Deslauriers	305,361
Norman A. Deslauriers - B	643,958
Fort Nature Refuge	314,448
Kraus Wildlife	1,137,690
Little Rest Bird Club	223,332
Prudence Island	4,460
Statutory amount due to unrestricted investments	<u>(1,011,967)</u>
Total permanently restricted	<u>3,795,178</u>
Total investments held by Citizens Bank of Rhode Island	<u>\$ 16,835,930</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.