

AUDUBON SOCIETY OF RHODE ISLAND

Financial Statements

Year Ended December 31, 2022

(With Independent Auditors' Report Thereon)

AUDUBON SOCIETY OF RHODE ISLAND

FINANCIAL STATEMENTS

Year Ended December 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Audubon Society of Rhode Island:

Opinion

We have audited the accompanying financial statements of Audubon Society of Rhode Island (a Rhode Island not-for-profit corporation) (the Society), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Audubon Society of Rhode Island as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

As part of our audit of the 2022 financial statements, we also audited the adjustments described in Note 3 that were applied to restate the 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the Society other than with respect to these adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

Kahn, Litwin, Kenya & Co, Ltd.

February 15, 2024

**AUDUBON SOCIETY OF RHODE ISLAND
STATEMENT OF FINANCIAL POSITION
December 31, 2022**



Assets

Current Assets:

Cash and cash equivalents	\$ 1,550,089
Investments, current	966,812
Accounts and grants receivable	198,835
Inventory	23,703
Prepaid expenses and other assets	40,932
Total current assets	2,780,371

Property and Equipment, net	2,809,117
Investments, non-current	15,038,048
Beneficial Interest in Assets Held by Others	207,734
Wildlife Refuges	14,280,918
Total Assets	\$ 35,116,188

Liabilities and Net Assets

Current Liabilities:

Accounts payable and accrued expenses	\$ 246,615
Charitable gift annuity, current portion	1,258
Deferred revenue	36,737
Total current liabilities	284,610

Charitable Gift Annuity, less current portion	14,575
Total liabilities	299,185

Net Assets:

Without donor restrictions:	
Undesignated	771,194
Invested in property and equipment, net	2,809,117
Board-designated endowment	11,615,206
Wildlife refuges	14,280,918
Total net assets without donor restrictions	29,476,435
With donor restrictions	5,340,568
Total net assets	34,817,003

Total Liabilities and Net Assets	\$ 35,116,188
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AUDUBON SOCIETY OF RHODE ISLAND
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022



	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets:			
Revenue and Support:			
Contributions	\$ 809,449	\$ 279,780	\$ 1,089,229
Grants	1,069,215	-	1,069,215
Program fees	230,726	-	230,726
Rental income	81,820	-	81,820
Admissions and other income	57,227	-	57,227
Contributed nonfinancial assets	38,697	-	38,697
Sale of merchandise, net of cost of of goods sold \$69,293	23,977	-	23,977
Special events, net of direct expenses of \$94,787	(26,681)	-	(26,681)
Investment return, net	(2,356,581)	(890,974)	(3,247,555)
Net assets released from restrictions	619,274	(619,274)	-
Total revenue and support	547,123	(1,230,468)	(683,345)
Expenses:			
Program services	2,682,957	-	2,682,957
Management and general	640,539	-	640,539
Fundraising	416,278	-	416,278
Total expenses	3,739,774	-	3,739,774
Change in net assets	(3,192,651)	(1,230,468)	(4,423,119)
Net Assets, beginning of year, as previously stated	20,068,853	19,171,269	39,240,122
Prior period adjustment (Note 3)	12,600,233	(12,600,233)	-
Net Assets, beginning of year, as restated	32,669,086	6,571,036	39,240,122
Net Assets, end of year	\$ 29,476,435	\$ 5,340,568	\$ 34,817,003

THE AUDUBON SOCIETY OF RHODE ISLAND
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022



	Properties and Conservation	Educational and Public Programs	Environmental Education Center	Advocacy	Total Program Services	Management and General	Fundraising	Total
Salaries and Related Expenses:								
Salaries	\$ 321,984	\$ 757,793	\$ 93,662	\$ 161,592	\$ 1,335,031	\$ 321,660	\$ 163,143	\$ 1,819,834
Payroll taxes	24,927	53,054	6,419	12,490	96,890	37,558	12,596	147,044
Employee benefits	86,298	104,602	14,964	17,272	223,136	61,445	18,268	302,849
Total salaries and related expenses:	433,209	915,449	115,045	191,354	1,655,057	420,663	194,007	2,269,727
Operating Expenses:								
Professional fees	17,743	15,327	285	50,396	83,751	33,602	88,817	206,170
Program expenses	50,312	114,095	37,810	11,166	213,383	240	-	213,623
Repairs, maintenance, tools and services	11,305	24,715	9,181	40	45,241	-	-	45,241
Utilities and rent	53,726	-	58,142	-	111,868	-	-	111,868
Insurance	53,260	9,485	7,327	-	70,072	21,650	-	91,722
Vehicle expense	21,025	12,476	220	1,745	35,466	1,871	801	38,138
Telephone	8,609	-	2,706	-	11,315	10,761	-	22,076
Office, printing and postage	5,601	1,831	3,752	112	11,296	13,929	65,634	90,859
Wildlife and property management	79,974	18,934	70,878	-	169,786	-	-	169,786
Advertising and public communications	674	525	626	-	1,825	-	18,982	20,807
Computer expenses	-	890	-	828	1,718	25,555	16,225	43,498
Conferences and meetings	-	13,789	-	-	13,789	-	3,198	16,987
Other expenses	1,612	-	16,524	52	18,188	92,792	28,614	139,594
Total operating expenses	303,841	212,067	207,451	64,339	787,698	200,400	222,271	1,210,369
Depreciation	129,839	32,460	77,903	-	240,202	19,476	-	259,678
Total expenses	\$ 866,889	\$ 1,159,976	\$ 400,399	\$ 255,693	\$ 2,682,957	\$ 640,539	\$ 416,278	\$ 3,739,774

THE AUDUBON SOCIETY OF RHODE ISLAND
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022



Cash Flows from Operating Activities:	
Change in net assets	\$ (4,423,119)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	259,678
Loss on investments	3,576,390
Changes in assets and liabilities:	
Accounts and grants receivable	16,075
Inventory	5,082
Prepaid expenses and other assets	(26,660)
Accounts payable and accrued expenses	57,722
Charitable gift annuity	(1,199)
Deferred revenue	20,770
Net cash used by operating activities	<u>(515,261)</u>
 Cash Flows from Investing Activities:	
Purchase of property and equipment	(66,077)
Purchase of investments	(2,862,514)
Proceeds from sale of investments	3,628,513
Net cash provided by investing activities	<u>699,922</u>
 Net Increase in Cash and Cash Equivalents	184,661
 Cash and Cash Equivalents, beginning of year	<u>1,365,428</u>
 Cash and Cash Equivalents, end of year	<u><u>\$ 1,550,089</u></u>

AUDUBON SOCIETY OF RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2022

1. Nature of Operations

Audubon Society of Rhode Island (the Society) is a not-for-profit corporation established in 1897 and is the oldest environmental organization to promote natural, wildlife resource preservation and public education. The Society is supported primarily through donor contributions, grants, and investment income. The Society's mission is to protect birds, other wildlife and their habitat through conservation, education and advocacy for the benefit of people and all living things.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Society is presented to assist the reader in understanding the Society's financial statements. The financial statements and notes are representations of the Society's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, effective for annual periods beginning after December 15, 2021. The standard requires all leases with lease terms over 12 months be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. Effective January 1, 2022, the Society adopted ASU 2016-02. The adoption of ASU 2016-02 did not have a significant effect on the Society's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which provides new presentation and disclosure requirements for contributed nonfinancial assets. Effective January 1, 2022, the Society adopted ASU 2020-07. The adoption of ASU 2020-07 did not have a significant effect on the Society's financial statements.

AUDUBON SOCIETY OF RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2022

Basis of Presentation

The Society prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, 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

The Society considers all cash balances and highly liquid investments with an original maturity of three months or less to be cash equivalents, except those funds which the Board has designated for investment.

Accounts and Grants Receivable

The Society carries its accounts receivable at net realizable value. On a periodic basis, the Society evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past bad debt expense and collections and current credit conditions.

The Society does not accrue interest on its accounts receivable. A receivable is considered past due if payment has not been received within stated terms. The Society will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged against the allowance for doubtful accounts. At year-end, the Society did not have an allowance for doubtful accounts. Accounts and grants receivable at December 31, 2021 was \$214,910.

Inventory

The gift shop inventory has been recorded at the lower cost or net realizable value 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.

AUDUBON SOCIETY OF RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2022

Property and Equipment

All expenditures for property and equipment in excess of \$5,000 are capitalized at cost; the fair value of donated assets is similarly recorded. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, ranging from five to sixty years.

Investments and Fair Value Measurements

The Society reports its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach, as specified by authoritative guidance, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Society has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Society's own data.

The Society reports investments at fair value on a recurring basis. These investments are classified as level 1 within the fair value hierarchy.

Level 1 investments owned by the Society and listed on a National Securities Exchange are valued at the last recorded sales price as of the financial statement reporting date. In the absence of recorded sales, level 1 investments are valued at the last quoted bid price reported as of the financial statement reporting date.

Investments held by the Rhode Island Foundation (the Foundation) are measured at net asset value (NAV) as a practical expedient to approximate fair value.

AUDUBON SOCIETY OF RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2022

The Board of Directors has the responsibility for investment activity for the Society and maintains a combined portfolio for net assets without donor restrictions (including board-designated assets) and net assets with donor restrictions. 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.

Realized and unrealized gains and losses are included in net investment return in the statement of activities. Gains and losses on investments are reported as changes in net assets without donor restrictions, unless restricted by a donor’s explicit stipulation or by a law that extends a donor’s restriction.

Dividends and interest are recorded as received, which does not differ materially from the accrual basis. Purchases and sales of securities are recorded on the trade date.

Wildlife Refuges

Easements acquired by the Society represent numerous restrictions over the use and development of land not owned by the Society. These easements generally provide that the land will be maintained unimpaired in its current natural, agricultural, scenic or recreational state. Land protected by conservation easements held by the Society are valued at cost on the statement of financial position.

The Society capitalizes contributions of land or easements 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 value at the date of donation.

Deferred Revenue

Advanced funds are recorded in the accounting records by the Society as deferred revenue until such time as the Society incurs expenditures related to the specific program for which the funds have been received. Deferred revenue at December 31, 2021 was \$15,967.

Support and Revenue Recognition

Contributions - 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.

AUDUBON SOCIETY OF RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2022

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 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 net assets without donor restrictions. Contributions of assets other than cash are recorded at their fair value on the date of the gift.

Grants - 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 deferred revenue in the statement of financial position.

Program Fees - Program fees represent revenue from the Society's workshops, nature and educational programs and summer camp. Revenue from programs is generally recognized when the respective programs take place.

Admissions and Other Income - The Society recognizes revenue from admissions and other income when received.

Contributed Nonfinancial Assets - Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

AUDUBON SOCIETY OF RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2022

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. Donated easements are recorded as in-kind revenue, which is reported as contributed nonfinancial assets in the accompanying statement of activities. The Society records the value of donated easements at fair value, based on the values determined by the donor on the date of donation.

Income Taxes

The Society is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Society operates in a manner consistent with its tax-exempt status at both the state and federal levels.

The Society annually files IRS Form 990 - *Return of Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities generally for a period of three years after they were filed. The Society currently has no tax examinations in progress.

Allocation of Expenses

The financial statements report 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's operating costs have been allocated between program expenses, general and administrative, and fundraising based on direct identification when possible, and allocation if an expenditure benefits more than one program or function. Expenditures that require allocation are allocated on the basis of estimates of time and effort.

Advertising

Advertising expenditures are expensed as incurred.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through February XX, 2024, which is the date these financial statements were available to be issued.

**AUDUBON SOCIETY OF RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2022**

3. Prior Period Adjustments

During the year ended December 31, 2022, management reviewed the Society’s wildlife refuges, which were previously reported as donor-restricted net assets to be held in perpetuity in the 2021 financial statements. Such amounts should have been recorded as net assets without donor restrictions. Accordingly, the Society recorded an adjustment to increase net assets without donor restrictions and decrease net assets with donor restrictions by \$14,280,918 as of January 1, 2022. This reclassification had no effect on the Society’s total net assets as of December 31, 2022.

During the year ended December 31, 2022, management reviewed the Society’s endowment funds and determined that net assets restricted in perpetuity were overstated by \$1,078,586 and net assets subject to spending policy and appropriations were understated by \$2,781,231. Accordingly, the Society reclassified \$1,702,645 from net assets without donor restrictions to net assets with donor restrictions as of January 1, 2022. This reclassification had no effect on the Society’s total net assets as of December 31, 2022.

During the year ended December 31, 2022, management reviewed the Society’s donor-restricted funds subject to purpose restrictions and determined that \$21,960 should have been released from restrictions in the 2021 financial statements. Accordingly, the Society recorded an adjustment to increase net assets without donor restrictions and decrease net assets with donor restrictions by \$21,960 as of January 1, 2022. This reclassification had no effect on the Society’s total net assets as of December 31, 2022.

4. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$	1,550,089
Investments, current		966,812
Accounts and grants receivable		198,835
Total financial assets available within one year		2,715,736
Less:		
Amounts unavailable for general expenditure within one year:		
Subject to donor purpose restrictions		(1,006,328)
Total financial assets available for general expenditure within one year		\$ 1,709,408

AUDUBON SOCIETY OF RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2022



The Society has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In the event of an unanticipated liquidity needed, the Society has a line of credit with a local bank for \$500,000 (Note 9). In addition, the Board, at its discretion, could expend from its board-designated funds of \$11,615,206 at December 31, 2022 (Note 10), other than amounts appropriated for general expenditure, in the event of an emergency.

5. Property and Equipment

Property and equipment consisted of the following:

Land, buildings and improvements	\$ 6,551,973
Furniture and equipment	406,374
Vehicles	230,104
	<u>7,188,451</u>
Less: accumulated depreciation	<u>(4,379,334)</u>
Total property and equipment	<u>\$ 2,809,117</u>

6. Investments and Beneficial Interest in Assets Held by Others

Investments and beneficial interest in assets held by others are presented in the financial statements at their aggregate fair value and consist of the following:

	<u>Level 1</u>	<u>NAV (a)</u>
Money market mutual funds	\$ 639,373	\$ -
Equity securities:		
Communication services	547,876	-
Consumer goods	965,504	-
Domestic mutual fund	1,450,528	-
Financial services	979,045	-
Healthcare	946,238	-
Industrials	514,633	-
International mutual funds	2,673,432	-
Other equities	283,714	-
Technology	1,501,111	-

AUDUBON SOCIETY OF RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2022

Fixed income securities:		
Government bonds	572,771	-
Corporate bonds	581,093	-
Mutual funds	4,349,542	-
Beneficial interest in assets held by others	-	207,734
Total investments	\$ 16,004,860	\$ 207,734

(a) In accordance with Subtopic 820-10, certain financial instruments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position and notes to the financial statements.

Beneficial Interest in Assets Held by Others

In June 2015, the Society established the Audubon Society of Rhode Island Endowment Fund (the Fund) at the Rhode Island Foundation (the Foundation) and agreed that the Society would receive annual distributions determined by the Foundation’s spending rule in effect at the time of distribution. At December 31, 2022, the spending rate was 4.5% of the Fund’s balance, averaged over the previous 16 quarters (or over the total number of quarters in existence, if less than 16). For the year ended December 31, 2022, the Fund’s balance, reported as beneficial interest in assets held by others in the accompanying statement of financial position, totaled \$207,734.

Beneficial Interest in Perpetual Trust

The Society holds a beneficial interest in several perpetual trusts. Under the terms of the trust agreements, the Society has the irrevocable right to receive the income earned by these trusts. In accordance with the donors’ wishes, the distributions received by the Society from these trusts are available for current operations and the operation of the Eppley Wildlife Sanctuary. During the year ended December 31, 2022, the Society received a distribution of trust income in the amount of \$338,817 for current operations and \$48,476 for the operation of the Eppley Wildlife Sanctuary.

7. Endowment

Donor-restricted Endowment

The Society’s donor-restricted endowment consists of individual funds established at the request of the donors for specific purposes.

AUDUBON SOCIETY OF RHODE ISLAND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2022

Board-designated Funds Functioning as an Endowment

The Board designated certain net assets without donor restrictions as funds functioning as endowment to support the mission of the Society. Since the funds resulted from an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restrictions. However, they are managed in the same manner as the donor-restricted endowment funds described below.

Interpretation of Relevant Law

The Rhode Island Uniform Prudent Management of Institutional Funds Act (RIUPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Society classifies as net assets with donor restrictions (a) the original value of the gift donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the donor's gift instrument. The remaining portion of the donor-restricted fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by RIUPMIFA.

In accordance with RIUPMIFA, the Society considers the long and short-term needs of the Society in carrying out its mission, the Society's present and anticipated financial requirements, expected total returns on the Society's investments, and general economic conditions in making a determination to appropriate or accumulate donor-restricted endowment funds.

Changes in endowment net assets were as follows for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 16,092,988	\$ 4,084,759	\$ 20,177,747
Prior period adjustment	(1,473,706)	1,702,645	228,939
Investment return, net	(2,360,841)	(890,974)	(3,251,815)
Appropriations	<u>(643,235)</u>	<u>(299,042)</u>	<u>(942,277)</u>
Endowment net assets, end of year	<u>\$ 11,615,206</u>	<u>\$ 4,597,388</u>	<u>\$ 16,212,594</u>

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Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or RIUPMIFA requires the Society to retain as a fund of perpetual duration. There were no such funds with deficiencies as of December 31, 2022.

Return Objective and Risk Parameters

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 in perpetuity as well as board designated funds. Given the relationship between risk and return, a fundamental step in determining the investment policy for endowment funds is the determination of an appropriate risk tolerance.

After taking into consideration such factors as corporate financial stability, uncertainty of cash flows in and out of the endowment funds over the long term and capital market volatility, the Board believes a moderate risk strategy is prudent. Under this policy, as approved by the Board, the goal is to have stable returns over the long term, with a reduced potential of negative returns in any given year.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

For 2022, the Society has a policy of appropriating for distribution up to 5.75% of its endowment fund's average fair value over the prior 12-quarter trailing average preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Society expects the current spending policy to allow its endowment funds to grow and is consistent with the Society's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

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8. 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, 2022, the remaining gift annuity balance was \$15,833.

9. 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 is equal to the simple Secured Overnight Financing Rate (SOFR) plus an additional 3.04%. The Society's calculated interest rate at December 31, 2022 was 7.34%. No amount was outstanding under the line of credit at December 31, 2022.

10. Net Assets

Net Assets without Donor Restrictions:

Undesignated	\$ 771,194
Invested in property and equipment, net	2,809,117
Invested in wildlife refuges	14,280,918
Board-designated endowment	<u>11,615,206</u>
Total net assets without donor restrictions	<u>\$ 29,476,435</u>

Net Assets with Donor Restrictions:

Subject to expenditure for specified purpose:

Camp scholarships	\$ 15,921
Caratunk	162,963
Educational exhibit development	38,833
Land acquisitions	158,784
Land conservation and stewardship	21,472
National Audubon - Eppley	9,597
Ornithologist fund	33,606
Personnel expenses	22,837
Rose garden	55,522
Terracorps	30,000
Urban environmental education	169,798
Youth Conservation League	<u>23,847</u>
Total subject to expenditure for specified purpose	<u>743,180</u>

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Subject to spending policy and appropriations:	
Animal care	18,993
Education	459,984
General operations	72,788
Land conservation and stewardship	1,039,450
Total subject to spending policy and appropriations	1,591,215
Subject to restriction in perpetuity:	
Animal care	35,883
Education	869,023
General operations	137,507
Land conservation and stewardship	1,963,760
Total subject to restriction in perpetuity	3,006,173
Total net assets with donor restrictions	\$ 5,340,568

11. Contributed Nonfinancial Assets

Contributed nonfinancial assets in the accompanying statement of activities include items and services donated to the Society to be auctioned or raffled off at fundraising events. The Society records the donations at the fair value at the date of donation based on the going rate if purchased. Donated auction and raffle items totaled \$38,697 for the year ended December 31, 2022.

12. Commitments

The Society leases office equipment under various operating leases expiring through March 2028. Rent expense under these leases totaled approximately \$1,800 and is included in office expenses on the statement of functional expenses. Since the lease payments are not considered material, authoritative guidance relating to lease accounting has not been applied.

At December 31, 2022, future minimum lease payments are as follows:

<u>Year Ending</u>		
December 31, 2023	\$	3,865
December 31, 2024		3,865
December 31, 2025		3,865
December 31, 2026		2,155
December 31, 2027		1,044
Thereafter		174
Total	\$	14,968

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13. Pension Plan

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 year ended December 31, 2022 was \$36,477.

14. Concentrations of Risk

Financial instruments that potentially subject the Society to concentrations of credit risk consists primarily of cash and cash equivalents and investments.

The Society maintains cash and cash equivalents in one financial institution. The balance at the institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. At year-end, the uninsured portion was approximately \$1,282,000. The Society monitors its exposure with regard to cash and cash equivalents and has not experienced any losses on its account.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such changes could materially affect investment balances and activity included in the financial statements. The Society has a diversified portfolio for all of its investments and retains an investment advisor to attain a prudent level of diversification in an attempt to minimize potential risk associated with investment securities to the extent possible.