

**THE AUDUBON SOCIETY OF RHODE ISLAND**

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**Financial Statements with  
Supplementary Information**

**December 31, 2018**

**Mullen Scorpio Cerilli**

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**Certified Public Accountants  
Business Consultants**

# Mullen Scorpio Cerilli

## THE AUDUBON SOCIETY OF RHODE ISLAND

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December 31, 2018

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# Mullen Scorpio Cerilli

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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, 2018, 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

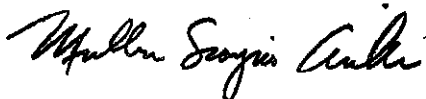
The Audubon Society of Rhode Island

## 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, 2018, 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 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, 2018 on page 19, 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.



October 8, 2019  
Providence, Rhode Island

THE AUDUBON SOCIETY OF RHODE ISLAND

Statement of Financial Position

December 31, 2018

Assets	
Current assets:	
Cash and cash equivalents	\$ 517,994
Accounts receivable	76,007
Inventory	17,706
Prepaid expenses	7,363
Total current assets	619,070
Noncurrent assets:	
Property and equipment (net of accumulated depreciation)	3,456,376
Investments (at market)	14,576,478
Investments held by others (at market)	98,985
Refuges, land and buildings	13,697,128
Total noncurrent assets	31,828,967
Total assets	<u>\$32,448,037</u>

Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	\$ 33,366
Accrued payroll and compensated absences	132,777
Line of credit	-
Charitable gift annuity, current portion	1,015
Deferred revenue	-
Total current liabilities	167,158
Noncurrent liabilities	
Charitable gift annuity, noncurrent portion	19,280
Total liabilities	186,438
Net assets:	
Without donor restrictions	
Operating, available for programs	307,941
Property and equipment	3,456,376
Board designated for long-term investment	11,159,290
Total without donor restrictions	14,923,607
With donor restrictions	17,337,992
Total net assets	<u>32,261,599</u>
Total liabilities and net assets	<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, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Public support:			
Contributions	\$ 986,750	\$ 209,501	\$ 1,196,251
In-kind donations	4,497	-	4,497
Program and other revenue:			
Program fees	241,808	-	241,808
Sale of merchandise	50,657	-	50,657
Rental income	63,506	-	63,506
Government contracts	468,777	-	468,777
Admissions and other income	273,723	-	273,723
Investment return designated for current operations	635,985	185,759	821,744
	2,725,703	395,260	3,120,963
Total revenues and support			
Reclassification - net assets released from restrictions	535,834	(535,834)	-
	3,261,537	(140,574)	3,120,963
Total revenues, support and reclassifications			
Expenses:			
Program services:			
Properties and conservation	664,826	-	664,826
Educational and public programs	402,685	-	402,685
Environmental education center	352,550	-	352,550
Grants and contracts	447,480	-	447,480
Sale of program merchandise	74,824	-	74,824
Advocacy	108,790	-	108,790
Total program services	2,051,155	-	2,051,155
Supporting services:			
General and administrative	480,815	-	480,815
Fundraising	364,566	-	364,566
	2,896,536	-	2,896,536
Total expenses			
Program operating income (loss)	365,001	(140,574)	224,427
Non-operating activities:			
Investment return less amounts designated for current operations	(991,138)	(288,600)	(1,279,738)
Statutory increase / (decrease) in restricted net assets	(288,600)	288,600	-
	(914,737)	(140,574)	(1,055,311)
Change in net assets			
Net assets – beginning	15,838,344	17,478,566	33,316,910
Net assets – ending	\$ 14,923,607	\$ 17,337,992	\$ 32,261,599

The notes are an integral part of these financial statements.

**THE AUDUBON SOCIETY OF RHODE ISLAND**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2018**

	Program Services							Supporting Services		
	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
Salaries	\$ 236,036	\$ 266,309	\$ 79,643	\$ 310,497	\$ 30,443	\$ 62,695	\$ 985,623	\$ 271,895	\$ 154,950	\$ 1,412,468
Payroll taxes	17,830	19,758	5,978	23,528	2,177	4,084	73,355	20,398	13,143	106,896
Employee benefits	46,432	36,939	6,931	41,195	7,233	18,634	157,364	75,173	22,310	254,847
Professional fees	-	-	-	-	-	-	-	31,176	39,476	70,652
Program expenses	19,510	39,105	60,330	39,095	-	33	158,073	-	-	158,073
Repairs, maintenance, tools and services	96,315	33	63,237	7,317	-	-	166,902	50	-	166,952
Utilities and rent	49,933	-	46,904	-	-	-	96,837	-	-	96,837
Insurance	18,763	9,381	9,381	-	-	18,763	56,288	9,382	9,381	75,051
Vehicle expense	17,539	503	553	503	128	1,613	20,839	3,633	1,759	26,231
Supplies	5,291	-	3,524	-	-	-	8,815	25	-	8,840
Telephone	7,079	-	2,670	-	-	-	9,749	9,563	-	19,312
Office, printing and postage	327	1,876	1,800	-	-	-	4,003	9,272	71,371	84,646
Wildlife and property management	1,832	71	295	-	-	-	2,198	-	-	2,198
Merchandise	-	-	40	-	28,178	-	28,218	-	34	28,252
Advertising and public communications	147	332	2,060	-	-	35	2,574	114	9,994	12,682
Computer expenses	515	-	264	-	2,761	-	3,540	6,510	6,306	16,356
Conferences and meetings	-	-	-	8,070	-	-	8,070	-	2,150	10,220
Special events	-	-	-	1,527	-	-	1,527	-	-	1,527
Development and fundraising	-	-	-	-	-	-	-	-	22,279	22,279
Other expenses	35,125	340	1,649	15,748	3,904	2,933	59,699	26,801	11,413	97,913
Total expenses before depreciation	552,674	374,647	285,259	447,480	74,824	108,790	1,843,674	463,992	364,566	2,672,232
Depreciation	112,152	28,038	67,291	-	-	-	207,481	16,823	-	224,304
Total expenses	\$ 664,826	\$ 402,685	\$ 352,550	\$ 447,480	\$ 74,824	\$ 108,790	\$ 2,051,155	\$ 480,815	\$ 364,566	\$ 2,896,536

The notes are an integral part of these financial statements.

THE AUDUBON SOCIETY OF RHODE ISLAND

Statement of Cash Flows

Year Ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ (1,055,311)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	224,304
Realized and unrealized (gains) losses on sale of investments	770,919
Gain on sale of fixed asset	(400)
Changes in current assets and liabilities:	
Accounts receivable	2,033
Inventory	(1,675)
Prepaid expenses	(1,066)
Accounts payable and accrued expenses	(41,054)
Charitable gift annuity	(986)
Deferred revenue	(10,705)
Net cash provided / (used) by operating activities	<u>(113,941)</u>
Cash flows from investing activities:	
Property and equipment expenditures	(543,447)
Purchase of investments	9,301,925
Proceeds from sale of investments	<u>(8,731,600)</u>
Net cash provided / (used) by investing activities	<u>26,878</u>
Net increase (decrease) in cash	(87,063)
Cash and cash equivalents - beginning	<u>605,057</u>
Cash and cash equivalents - end	<u>\$ 517,994</u>

The notes are an integral part of these financial statements.



# THE AUDUBON SOCIETY OF RHODE ISLAND

## Notes to Financial Statements

December 31, 2018

### Note 1 - Summary of Significant Accounting Policies

#### 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.

#### Basis of Financial Reporting

The accompanying financial statements have been prepared on the accrual basis of accounting.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* ("ASU 2016-14"), which reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. This ASU is effective for years beginning after December 15, 2017.

In accordance with the provisions of ASU 2016-14, the Society's activities that increase or decrease net assets are classified as either net assets with donor restrictions or without donor restrictions, as follows:

- Net assets without donor restrictions are those without any donor-imposed restrictions as to their use and are available for the general operations of the Society. The Board of Directors (the "Board") has voluntarily designated a portion of such net assets of the Society as a quasi-endowment to provide future revenue in support of general operations.
- Net assets with donor restrictions are those whose use by the Society has been temporarily limited by donors to a specific time period or purpose, or permanently restricted by donors, which require that the principal be invested in perpetuity and only the income be utilized by the Society. Income may be utilized for the general operations of the Society, or for restricted purposes as established by the donor. Transfers from net assets with donor restrictions to net assets without donor restrictions occur when income is appropriated for expenditure. It is the Society's policy to record net assets with donor restrictions that have been received and expended within the same year as net assets without donor restrictions.

*Note 1 continued on the next page.*

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **Basis of Presentation (continued)**

Revenue, gains and other support are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments or other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

### **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 organization 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.

### **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.

### **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.

*Note 1 continued on the next page.*

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **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.

### **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.

### **Donor Imposed Restrictions**

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted support and increase that net asset class. However, if a restriction is fulfilled in the same period in which the contribution is received, the Society reports the support as unrestricted.

### **Promises to Give**

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.

*Note 1 continued on the next page.*

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### **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.

### **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.

### **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.

## Note 2 - 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, as well as board-designated funds available to meet future cash operating requirements.

As of December 31, 2018, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 243,032
Accounts receivable	76,007
Scheduled endowment draw	<u>850,073</u>
Financial assets available for general expenditures within one year	<u>\$ 1,169,107</u>

## Note 3 - 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 amounted to \$17,706 at December 31, 2018.

## Note 4 - Property and Equipment

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

Land, building and improvements	\$ 6,031,232
Machinery, furniture and equipment	1,272,668
Vehicles	270,133
Construction in progress	<u>232,941</u>
Total property and equipment	7,806,974
Less: accumulated depreciation	<u>(4,350,598)</u>
Net property and equipment	<u>\$ 3,456,376</u>

Depreciation expense for the year ended December 31, 2018 was \$224,303.

## Note 5 - Investments

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

	<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 6 - Investments Held by Others

The Organization 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 year ended December 31, 2018 was as follows:

Beginning balance	\$ 108,643
Contribution	-
Investment return	(4,162)
Funds released	(4,497)
Fees	(999)
	<hr/>
Ending balance	\$ 98,985

## Note 7 - Investment Income

Investment income for investments and investments held by others for the year ended December 31, 2018 was comprised of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 291,100	\$ 85,025	\$ 376,125
Net realized and unrealized gains (losses)	(598,705)	(174,270)	(772,975)
Management fees	(47,549)	(13,596)	(61,145)
	<hr/>	<hr/>	<hr/>
Total return on investment	(355,154)	(102,841)	(457,995)
Investment return desig- nated for current operations	(635,985)	(185,759)	(821,744)
	<hr/>	<hr/>	<hr/>
Investment return less amounts designated for current operations	\$ (991,139)	\$ (288,600)	\$ (1,279,739)

## Note 8 - Fair Value Measurements

The following table presents the Society's assets that are included in fair value measurements at December 31, 2018 within the fair value hierarchy:

### Investments:

#### Level 1:

US Government, corporate and foreign bonds – fixed income	\$ 5,482,000
Common and preferred stocks - equities	8,869,139
Money market and cash	<u>225,339</u>

Total level 1 14,576,478

#### Level 2

-

#### Level 3

-

Total investments \$ 14,576,478

### Investments held by others:

#### Level 1

\$ -

#### Level 2

-

#### Level 3:

Rhode Island Foundation Flexible Endowment Fund	<u>98,985</u>
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Total investments held by others \$ 98,985

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 Organization's lack of control over the investing activities, the funds by the Rhode Island Foundation are considered unobservable market inputs.

## Note 9 - Endowment

The Society's investments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

*Note 9 continued on the next page.*

**Note 9 - Endowment (continued)**

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold for either 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 2018, 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 year ended December 31, 2018:

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

Endowment activities are as follows for the year ended December 31, 2018:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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)
Appropriation for special projects	(256,950)	(75,050)	(332,000)
Change in statutory increase / (decrease)	<u>(342,084)</u>	<u>342,084</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 11,159,290</u>	<u>\$ 3,417,188</u>	<u>\$ 14,576,478</u>

*Note 9 continued on the next page.*



**Note 9 - Endowment (continued)**

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

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment assets and those functioning as endowment assets	\$ 11,159,290	\$ 3,417,188	\$ 14,576,478
Other net assets	<u>3,764,317</u>	<u>13,920,804</u>	<u>17,685,121</u>
Total net assets	<u>\$ 14,923,607</u>	<u>\$ 17,337,992</u>	<u>\$ 32,261,599</u>

**Note 10 - Line of Credit**

The Society has a line of credit available with a limit of \$500,000 and interest payable at the prime rate. The line of credit is secured by investments in marketable securities. At December 31, 2018 the balance of the line of credit was \$0.

**Note 11 - 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 year ended December 31, 2018, the National Audubon Society transferred \$48,702 to the Society. At December 31, 2018, the market value of this fund amounted to \$1,097,107.

**Note 12 - 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 year ended December 31, 2018, the Rhode Island Foundation transferred \$274,214 from those funds to the Society.

**Note 13 - 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, 2018 the remaining gift annuity balance was \$20,295.

**Note 14 - 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, 2018 was \$25,718.

**Note 15 - 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, 2018:

Donor restricted net assets not subject to appropriation or expenditure:	
Donor restricted endowments	\$ 3,365,902
Refuges land and buildings	13,697,128
Total donor restricted net assets not subject to appropriation or expenditures	<u>17,063,030</u>
Subject to expenditure for specified purpose:	
Land acquisitions	51,286
National Audubon -- Eppley	9,597
Camp Scholarships	15,753
Land Trust Accreditation	5,000
Urban Transportation	21,698
Environmental Education	40,038
Pollenator Habitat	11,025
Rose Garden	33,378
Youth Conservation League	22,000
Caratunk parking lot expansion	3,725
Educational exhibit development	23,000
Grassland habitat restoration	15,000
Social media outreach	13,462
Strategic planning and sustainability	10,000
Total restrictions for specified purposes	<u>274,962</u>
Total net assets with donor restrictions	<u>\$ 17,337,992</u>

*Note 15 continued on the next page*

**Note 15 - Net Assets with Donor Restrictions (continued)**

The following net assets were released from restrictions during the year ended December 31, 2018 due to the satisfaction of donor-imposed restrictions:

Pavilion and trails	\$ 12,862
Educational programs	41,489
Pollinator habitat	7,000
Caratunk parking lot expansion	110,275
Land Trust Accreditation	30,939
Youth Conservation League	26,503
Social media outreach	11,538
Education transportation	7,939
Camp Scholarships	5,113
Land acquisitions	31,566
Rose Garden	50,525
RI DEM – Prudence Island	14,326
Investment return designated for current operations	<u>185,759</u>
Total net assets released from restrictions	<u>\$ 535,834</u>

**Note 16 - Board Designated**

The Society's governing board has designated, from net assets without donor restrictions of \$14,923,607, net assets for the following purposes as of December 31, 2018:

Quasi-endowment	<u>\$ 11,159,290</u>
Total board designated net assets	<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, 2018, the Society had an uninsured cash balance of \$329,432.

**Note 18 - Subsequent Events**

Management has evaluated all subsequent events through October 8, 2019, the date the financial statements were available to be issued.

**THE AUDUBON SOCIETY OF RHODE ISLAND**

**Supplementary Information**

**Year Ended December 31, 2018**

**THE AUDUBON SOCIETY OF RHODE ISLAND**  
**Schedule of Investments Held by Citizens Bank of Rhode Island as of December 31, 2018**

	<u>Actual Market Value of Units</u>
<b>Board Designated Investments - Designated for Long term Investments</b>	
General Unrestricted	\$ 200,447
Edith Becker	2,129,292
George B. Parker	41,264
Parker Woodland	353,072
Everett F. Southwick	73,682
Barter-Moore	226,794
Powder Mill Ledges	928,901
Sanford	247,560
Larkin Wildlife	82,718
Kinsey	1,356,221
Employee salary and compensation	79,076
Bristol Education Center	85,088
P. Hollis	27,750
Alice O. Harris	307,491
Donna Jean Rainville	31,395
Cottrell	129,794
Aust-Capron Memorial	3,698,591
Lorraine Leaney	284,803
Bayward Ewing	214,034
MCR Beckett	14,568
Kimball Memorial Garden Stewardship	10,814
Romano	26,393
Severyn Dana	9,843
Conservation Defense	98,329
Land Legacy	21,566
Income cash	-
Cash amounts in-transit from Audubon Society	47,248
Statutory amount due from restricted investments	432,556
Total unrestricted investments	<u>\$ 11,159,290</u>
<b>Investments with Purpose Restrictions</b>	
Land Legacy	\$ 71,634
Statutory amount due from unrestricted investments	1,218
Release from restriction	<u>(21,566)</u>
Total temporarily restricted	<u>51,286</u>
<b>Donor Restricted Endowments</b>	
General Restricted	170,154
Caratunk	661,352
Walter Hammond Kimball	43,753
Jonathan H. Harwood	8,047
John Raleigh Eldred	52,879
Margaret Robinson Knight	2,110
Davis Memorial Wildlife	28,522
Library - Danz	33,318
Constance McCarthy	44,638
Dickens Farm	98,566
Viall Memorial Library	1,667
South County	58,051
Lonesome Swamp	3,368
Grout Memorial	11,476
McAlpine	11,327
McKenzie Wildlife	37,891
Hicks-Borden	48,220
Touisset Marsh	66,382
Fisherville Brook	135,952
Norman A. Deslauriers	265,032
Norman A. Deslauriers - B	558,911
Fort Nature Refuge	272,918
Kraus Wildlife	987,435
Little Rest Bird Club	193,836
Prudence Island	3,871
Statutory amount due to unrestricted investments	<u>(433,774)</u>
Total permanently restricted	<u>3,365,902</u>
Total investments held by Citizens Bank of Rhode Island	<u>\$ 14,576,478</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.