

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

Audited Financial Statements

***For The Year Ended
March 31, 2021***

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

Table of Contents

1. Independent Auditor's Report.....	1-2
2. Statement of Financial Position.....	3-4
3. Statement of Activities and Changes in Net Assets.....	5
4. Statement of Functional Expenses.....	6-7
5. Statement of Cash Flows.....	8-9
6. Notes to the Financial Statements.....	10-22

PENCHANSKY & CO. PLLC
CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Audubon Society of New Hampshire
Concord, New Hampshire

We have audited the accompanying financial statements of The Audubon Society of New Hampshire (a nonprofit organization), which comprise the statement of financial position as of March 31, 2021, and the related statements of activities and changes in net assets, 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.

Auditor's 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Audubon Society of New Hampshire as of March 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Penchansky & Co. PLLC

Penchansky & Co., PLLC
Certified Public Accountants
Manchester, New Hampshire

January 20, 2022

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Statement of Financial Position
As of March 31, 2021

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,027,881
Accounts Receivable	50,882
Merchandise Inventories	37,180
Prepaid Expenses	<u>59,787</u>
Total Current Assets	<u>2,175,730</u>

Fixed Assets:

Fixed Assets, Net of Accumulated Depreciation of \$(3,190,081)	<u>11,021,858</u>
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Other Assets:

Investments at Market Value	3,201,844
Split-Interest Agreements	3,375,311
Art Collection	<u>225,000</u>
Total Other Assets	<u>6,802,155</u>
Total Assets	<u><u>\$ 19,999,743</u></u>

- Continued on Next Page -

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Statement of Financial Position
As of March 31, 2021

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 39,027
Accrued Payroll and Related Liabilities	79,794
Deferred Revenue	65,578
Current Portion of Long Term Debt	22,112
Current Portion of Gift Annuity Payable	<u>15,162</u>
 Total Current Liabilities	 <u>221,673</u>

Non-Current Liabilities:

Long-term Debt, Less Current Maturities	908,206
Gift Annuity Payable, Less Current Maturities	<u>53,758</u>
 Total Non-Current Liabilities	 <u>961,964</u>
 Total Liabilities	 <u>1,183,637</u>

Net Assets:

Without Donor Restrictions	3,323,977
With Donor Restrictions	<u>15,492,129</u>
 Total Net Assets	 <u>18,816,106</u>
 Total Liabilities and Net Assets	 <u>\$ 19,999,743</u>

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Statement of Activities and Changes in Net Assets
For The Year Ended March 31, 2021

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<u>Revenue and Support:</u>			
Contributions	\$ 478,899	\$ 134,694	\$ 613,593
Bequests	302,040	0	302,040
Grants	108,625	194,915	303,540
Contracts	148,872	0	148,872
Memberships	107,352	0	107,352
Programs, events, and visitor fees	13,541	0	13,541
Sale of merchandise, net of cost of goods sold	4,976	0	4,976
Investment income (Loss)			
Interest & Dividend	19,698	33,399	53,097
Realized Gain (Loss)	41,266	81,625	122,891
Unrealized Gain (Loss)	199,689	394,992	594,681
Pooled Income Funds			
Interest & Dividend	0	36,541	36,541
Realized Gain (Loss)	0	164,058	164,058
Unrealized Gain (Loss)	0	368,410	368,410
Distribution to Beneficiaries	0	(54,976)	(54,976)
Other income	82,737	0	82,737
Net assets released from restrictions: satisfaction of program restrictions	<u>82,194</u>	<u>(82,194)</u>	<u>0</u>
Total Revenue and Support	<u>1,589,889</u>	<u>1,271,464</u>	<u>2,861,353</u>
<u>Expenses:</u>			
<u>Programs:</u>			
Conservation	331,387	0	331,387
Newfound Audubon Center	34,214	0	34,214
Massabesic Audubon Center	82,026	0	82,026
Silk Farm Audubon Center	<u>475,445</u>	<u>0</u>	<u>475,445</u>
Total Program Expenses	<u>923,072</u>	<u>0</u>	<u>923,072</u>
<u>Supporting:</u>			
General and Administrative	440,535	0	440,535
Membership, Development and Communication	<u>189,978</u>	<u>0</u>	<u>189,978</u>
Total Supporting Expenses	<u>630,513</u>	<u>0</u>	<u>630,513</u>
Total Expenses	<u>1,553,585</u>	<u>0</u>	<u>1,553,585</u>
Change in Net Assets	36,304	1,271,464	1,307,768
Net Assets, Beginning of Period	<u>3,287,673</u>	<u>14,220,665</u>	<u>17,508,338</u>
Net Assets, End of Period	<u>\$ 3,323,977</u>	<u>\$ 15,492,129</u>	<u>\$ 18,816,106</u>

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Statement of Functional Expenses
For The Year Ended March 31,

		Programs - 2021				Total Programs
		Conservation	Newfound Audubon Center	Massabesic Audubon Center	Silk Farm Audubon Center	
<u>Expenses:</u>						
Salaries and Wages	\$	224,218	\$ 23,430	\$ 28,375	\$ 78,324	\$ 354,347
Payroll Taxes		15,753	1,646	1,994	5,502	24,895
Employee Benefits		28,230	2,950	3,572	9,861	44,613
Depreciation and Amortization		0	0	0	156,529	156,529
Repairs and Maintenance		11,982	3,671	7,793	45,380	68,826
Program Expenses		8,128	85	9,972	37,011	55,196
Insurance		1,549	918	775	53,176	56,418
Printing and Postage		4,988	0	381	1,991	7,360
Utilities		1,843	723	20,760	24,286	47,612
Professional Services		6,657	0	522	21,883	29,062
Interest Expense		0	0	0	17,726	17,726
Travel and Entertainment		10,437	478	373	8,830	20,118
Dues and Subscriptions		195	20	1,300	1,692	3,207
Advertising		0	0	1,053	1,342	2,395
Miscellaneous		0	0	0	0	0
Office Supplies		14,236	293	5,156	11,912	31,597
Bad Debts		0	0	0	0	0
Conference and Meetings		487	0	0	0	487
Property Taxes		2,684	0	0	0	2,684
Total Expenses	\$	331,387	\$ 34,214	\$ 82,026	\$ 475,445	\$ 923,072

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THE AUDUBON SOCIETY OF NEW HAMPSHIRE
 Statement of Functional Expenses
 For The Year Ended March 31,

	Supporting - 2021			Total 2021
	Fund Raising	General & Administration	Total Supporting	
<u>Expenses:</u>				
Salaries and Wages	\$ 138,060	\$ 258,366	\$ 396,426	\$ 750,773
Payroll Taxes	9,699	18,152	27,851	52,746
Employee Benefits	17,382	32,529	49,911	94,524
Depreciation and Amortization	0	0	0	156,529
Repairs and Maintenance	0	0	0	68,826
Program Expenses	1,481	2,047	3,528	58,724
Insurance	306	0	306	56,724
Printing and Postage	10,727	32	10,759	18,119
Utilities	0	0	0	47,612
Professional Services	6,219	94,500	100,719	129,781
Interest Expense	0	3,438	3,438	21,164
Travel and Entertainment	1,526	0	1,526	21,644
Dues and Subscriptions	775	125	900	4,107
Advertising	1,632	0	1,632	4,027
Miscellaneous	0	6,795	6,795	6,795
Office Supplies	1,937	14,643	16,580	48,177
Bad Debts	0	8,138	8,138	8,138
Conference and Meetings	234	0	234	721
Property Taxes	0	1,770	1,770	4,454
Total Expenses	\$ 189,978	\$ 440,535	\$ 630,513	\$ 1,553,585

See Notes and Independent Auditor's Report

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Statement of Cash Flows
For The Year Ended March 31, 2021

Cash Flows from Operating Activities:

Changes in Net Assets	\$ 1,307,768
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Adjustments to reconcile changes in net assets to
net cash provided (used) by operating activities:

Depreciation and Amortization	156,529
Unrealized Holding (Gain) Loss on Investments	(594,681)
Realized (Gain) Loss on Sale of Investments	(122,891)
(Increase) Decrease in value of Split-interest Agreements, and proceeds from split-interest agreements	(477,209)
(Increase) Decrease in Accounts Receivable	14,392
(Increase) Decrease in Merchandise Inventories	1,954
(Increase) Decrease in Prepaid Expenses	(26,639)
Increase (Decrease) in Accounts Payable	23,350
Increase (Decrease) in Accrued Payroll and Related Liabilities	3,543
Increase (Decrease) in Gift Annuity Liability	(4,150)
Increase (Decrease) in Deferred Revenue	4,967
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Total Adjustments	(1,020,835)
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Net Cash Flows Provided (Used) by Operating Activities	286,933

Cash Flows from Investing Activities:

Payments for the Purchase of Fixed Assets	(37,288)
Acquisition of Investments	(404,793)
Proceeds From the Sale of Investments	719,962
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Net Cash Flows Provided (Used) by Investing Activities	\$ 277,881

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THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Statement of Cash Flows
For The Year Ended March 31, 2021

Cash Flows from Financing Activities:

Principal Payments on Notes Payable and Line of Credit	\$ (18,507)
Proceeds from Notes Payable and Line of Credit	<u>374,225</u>
Net Cash Flows Provided (Used) by Financing Activities	<u>355,718</u>
Net Increase (Decrease) in Cash and Cash Equivalents	920,532
Cash and Cash Equivalents - Beginning of Period	<u>1,107,349</u>
Cash and Cash Equivalents - End of Period	<u><u>\$ 2,027,881</u></u>

Supplemental Cash Flow Disclosures:

Interest (net of amount capitalized)	<u><u>\$ 21,164</u></u>
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Supplemental Disclosure of Non-Cash Activities:

Fixed Assets Purchased with Notes Payable	<u><u>\$ 0</u></u>
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THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 1. Nature of Society

The Audubon Society of New Hampshire ("the Society") is a not-for-profit organization, incorporated under the laws of the State of New Hampshire. The Society was established in 1914 as a statewide membership organization dedicated to protecting New Hampshire's wildlife and environment through education and conservation. Contributions, program and event fees, and contracts represent the Society's primary sources of revenues.

Note 2. Significant Accounting Policies

Basis of Accounting: The financial statements of the Society have been prepared on the accrual basis of accounting, consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation: The Society reports information regarding its financial position and activities according to two categories of net assets: net assets with donor restrictions and net assets without donor restrictions. Descriptions of these net asset categories are as follows.

Net assets without donor restrictions: Net assets without donor restrictions are available for use at the discretion of the Board of Trustees and/or management for general operating purposes. From time to time the Board of Trustees designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. For example, the Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for the purpose of securing the Society's long-term financial viability.

See Note 10 for more information on the composition of net assets without donor restrictions.

Net assets with donor restrictions: Net assets with donor restrictions consists of assets whose use is limited by donor-imposed, time and/or purpose restrictions and also includes the accumulated appreciation and depreciation related to donor-restricted endowment funds. The Society reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Some net assets with donor restrictions include a situation that assets provided be maintained permanently (perpetual in nature) while permitting the Society to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

See Note 11 for more information on the composition of net assets with donor restrictions.

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THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 2. Significant Accounting Policies - Continued

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 the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Cash and Cash Equivalents: Cash and cash equivalents in the statement of cash flows include cash, which is held in either demand deposit or short-term money market accounts, and highly liquid savings deposits and investments with original maturities of three months or less when purchased.

Accounts Receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collections efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for doubtful accounts was deemed necessary for the year ended March 31, 2021.

Contributions Receivable: Unconditional promises to give are included in the financial statements as contributions receivable and revenue in the appropriate net asset category. Contribution's receivable expected to be received beyond one year are recognized at fair value using present value techniques. Conditional promises to give are not included in the financial statements. Contributions receivable at March 31, 2021 amounted to \$0.

Property and Equipment: Property and equipment are recorded at cost if purchased or fair value at the date of the gift if donated, and are being depreciated using the straight-line method over estimated useful lives as follows:

	Years
Land improvements	10
Buildings and improvements.....	10-40
Equipment.....	3-10
Vehicles.....	5

Investments: Purchased and gifted securities are recorded at fair value. Endowment income is distributed to the Society quarterly and is based upon a three-year rolling average of the unit value multiplied by the predetermined rate of 4% for support of sanctuaries, specific projects, and general operations. This predetermined income is recorded as with donor restricted income which is released from restriction when the related expenses are recorded. Accordingly, these amounts are included in net assets released from restriction as part of net assets without donor restriction. Earnings in excess of 4% are reinvested in the Endowment, and are included in non-operating income.

-Continued on Next Page-

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 2. Significant Accounting Policies - Continued

Art Collection: During the year ended March 31, 2007, the Society capitalized its art collection of John James Audubon's "Viviparous Quadrupeds of North America." During the fiscal year ended March 31, 2014, the artwork was appraised and is being carried at the estimated market value as of that date. Subsequent additional acquisitions by purchase will be stated at cost; additional acquisitions by gift will be stated at the estimated fair value at the date of donation. Because the Society's art collection consists of rare works of art, no provision for depreciation is made. The art collection is classified as net assets with donor restriction.

Deferred Revenues: Deferred revenues consist primarily of the present value discount on contributions to the pooled income fund, deposits on summer camp programs, and deposits on contract revenue.

Income Taxes: The Society is a tax-exempt organization as described in Section 501(C)(3) of the Internal Revenue Code, (the "Code") whereby only unrelated business income, as described by Section 512(a)(1) of the Code, is subject to Federal income tax. For the year ended March 31, 2021, there was no liability for a tax on unrelated business income.

The Society has adopted the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes. Accordingly, management has evaluated the Society's tax positions and concluded the Society has maintained its tax-exempt status, does not have any significant unrelated business income, and has taken no uncertain tax positions that require adjustment or disclosure in the financial statements. With few exceptions, the Society is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for tax years before 2017.

Contributions: Contributions received are recorded as with donor restriction or without donor restriction, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restriction, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a 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.

Contribution of non-cash assets are recognized as in-kind contribution income at their fair value when received and are depreciated over the expected useful life of the asset if capitalized.

Volunteer Services: The Society is a membership organization whose volunteers work directly with Society personnel to further the Society's mission. Volunteers serve in teaching positions as trip leaders and assistants, act as environmental advocates, provide field assistance in managing and monitoring wildlife populations, act as sanctuary caretakers, and provide administrative and grounds keeping services. The value of such services has not been recorded in the financial statements.

-Continued on Next Page-

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 2. Significant Accounting Policies - Continued

Functional Allocation of Expenses: The costs of providing program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas, while indirect costs that benefit multiple functional areas have been allocated based on the square footage used by a number of employees working on the various functional areas.

Merchandise Inventories: Inventories are stated at the lower of cost or net realizable value. Inventories are comprised of birdseed, bird feeders, books, music, and assorted merchandise related to the Society's programs and functions.

Advertising: The Society follows the policy of charging the costs of advertising to expense as incurred.

Recent Accounting Pronouncements: The Financial Accounting Standards (FASB) issued, Accounting Standards update (ASU 2014-09), *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Society expects to be entitled in exchange for those goods and Services.

In February 2016, the FASB issued ASU 2016-02, *Leases, and (Topic 842)* which will be effective for the Society on April 1, 2022, with early adoption permitted. Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. Management is currently evaluating the impact this will have on its financial statements.

Note 3. Concentration of Credit Risk

The Society holds cash deposits at several financial institutions. The Society's cash accounts are insured up to \$250,000 per depositor at each financial institution. Amounts included in cash in excess of these federally insured limits were approximately \$472,004 at March 31, 2021. The Organization does not consider this a material risk.

-Continued on Next Page-

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 4. Investments

Investments are recorded at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investments in debt and equity securities are subject to changes in fair value to overall market conditions. Investments consist of the following:

March 31, 2021

Corporate stocks	\$ 1,875,166
Fixed income instruments	<u>1,326,678</u>
 Total investments	 <u>\$ 3,201,844</u>

The Society's investments consist of donor-restricted endowment funds established for a variety of purposes, board designated endowment funds and undesignated funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 5. Endowment Funds and Net Assets

The Society adheres to the Other Presentation Matters section of the Presentation of Financial Statements for Not-for-Profit Organizations topic of the FASB Accounting Standards Codification (FASB ASC 958-205-45). FASB ASC 958-205-45 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FASB ASC 958-205-45 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Society adopted FASB ASC 958-205-45 for the year ended March 31, 2009. The Society's endowment includes twenty-one donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including any funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Society have interpreted UPMIFA as allowing the Society to allocate for expenditure or accumulate so much of an endowment fund as the Society determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

-Continued on Next Page-

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 5. Endowment Funds and Net Assets (continued)

As a result of this interpretation, the Society classifies as net assets with donor restriction (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in endowment net assets is classified as restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed in UPMIFA.

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the investment policies of the Society.

Underwater Endowment Funds: 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 UPMIFA requires the Society to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. At March 31, 2021, the Society had no underwater endowment funds.

Investment Return Objectives, Risk Parameters and Strategies: The Society has adopted investment policies, approved by the Board of Trustees, for endowment assets that attempt to maintain the purchasing power of those endowment assets over the long-term.

Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which emphasizes equity-based and income-based investments that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of accumulated interest and dividends income to be re-invested or used as needed, while growing the funds if possible.

Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to reduce the exposure of the fund to unacceptable levels of risk.

-Continued on Next Page-

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 5. Endowment Funds and Net Assets (continued)

Spending Policy: The Society has a policy of appropriating for distribution 4% of its entire endowment fund's average fair value over the prior twelve quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned, unless additional amounts are appropriated by the Board. The Society expects the current spending practice to allow its endowment funds to grow, which is consistent with the Society's objective to maintain the purchasing power of the endowment assets and to provide additional real growth through investment return. Under this policy, \$81,502 was appropriated for expenditures for years ended March 31, 2021. The Society also has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

The composition of the endowment account as of March 31, 2021 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board designated endowment funds	\$ 914,097	\$	\$ 914,097
Donor-restricted endowment funds		1,406,725	1,406,725
Total	<u>\$ 914,097</u>	<u>\$ 1,406,725</u>	<u>\$ 2,320,822</u>

Changes in endowment account for the year ended March 31, 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 741,051	\$ 1,117,843	\$ 1,858,894
Investment return			
Investment income, net of fees	15,533	23,430	38,963
Realized and unrealized gains	190,004	286,613	476,617
Contributions		27,850	27,850
Appropriation of endowment assets for expenditures	(32,491)	(49,011)	(81,502)
Transfers to cover deficiencies	-0-	-0-	-0-
Endowment net assets, end of year	<u>\$ 914,097</u>	<u>\$ 1,406,725</u>	<u>\$ 2,320,822</u>

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THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 6. Split-Interest Agreements

The Society is the beneficiary of income and remainder trusts. The Society's interest in these split-interest agreements is reported as a contribution in the year in which it is notified of its interest. The present value of the Society's interest in split-interest agreements approximates the fair value of the Society's proportional share of the assets of the trusts. Valuation changes are reported as a change in value of split-interest agreements in the statement of activities and change in net assets.

The Society established a pooled income fund in March 1993. Contributions to the fund are measured at the fair value of the assets to be received, discounted for the estimated time period until the donor's death using discount rates between 4.2% and 9.4%. Until a donor's death, the donor or designated beneficiary is paid the income (as defined under the arrangement) earned on the donor's assigned units. Upon the donor's death, the value of the units reverts to the Society. Amortization of the discount is recognized as a change in value of split-interest agreements in net assets with donor restriction in the statement of activities and change in net assets.

The Society has entered into charitable gift annuity agreements whereby donors (or designated beneficiaries) receive payments for the remainder of their lives. The liability for these split-interest agreements is determined based on actuarial assumptions using discount rates between 4.0% and 7.4%. The amount of the contribution recorded by the Society is the fair value of assets received less the present value of the estimated annuity payments. Valuation changes in the annuity liability are reflected as changes in net assets with donor restriction in the statement of activities and changes in net assets.

Split-interest agreements consist of the following:

	<u>March 31, 2021</u>
Markus Trust (perpetual income trust)	\$ 1,908,495
Chase Trust (perpetual income trust)	102,282
Pooled income fund	1,234,632
Charitable annuity fund	<u>129,902</u>
Total split-interest agreements	<u>\$ 3,375,311</u>

The income received from the Markus and Chase Trust's is restricted for sanctuary preservation and maintenance. Total income received from these split-interest agreements amounted to \$269,630 for the year ended March 31, 2021.

The Society is the income beneficiary of revocable trust funds maintained by the New Hampshire Charitable Foundation. Income distributions on these trust funds are recorded as contribution revenue when received, and amounted to \$17,932 for the year ended March 31, 2021.

-Continued on Next Page-

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 7. Long-Term Debt

Long-term debt consists of the following

March 31, 2021

Installment note payable, Yankee Farm Credit; converted from a variable interest rate to a fixed interest rate of 6.10% during the year ended March 31, 2018; payable in monthly installments of principal and interest of \$4,414; due February 2038; collateralized by real estate of the Society.

\$ 556,323

Paycheck Protection Loan – expected to be forgiven in the subsequent fiscal year

220,657

Installment note payable, Small Business Administration, with an Interest rate of 2.75%. Payable in monthly installments of principal and interest of \$641 thru April 2050. The loan is secured by the assets of the Society

153,338

Total

930,318

Less current portion

(22,112)

Long-term debt, less current portion

\$ 908,206

Aggregate maturities required on long-term debt at March 31, 2021 are as follows:

2022	\$	22,112
2023		24,374
2024		25,778
2025		27,627
2026		28,845
Thereafter		<u>801,502</u>
Total	\$	<u>930,318</u>

Note 8. Property and Equipment

Property and equipment consisted of the following:

March 31, 2021

Land and improvements

\$ 8,519,543

Building and improvements

5,275,277

Equipment

355,524

Vehicles

61,595

14,211,939

Less accumulated depreciation

(3,190,081)

Property and equipment, net

\$ 11,021,858

-Continued on Next Page-

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 9. Liquidity and Availability of Resources

	<u>March 31, 2021</u>
Cash and cash equivalents	\$ 2,027,881
Accounts receivable	50,882
Investments	3,201,844
Split-interest agreements	<u>3,375,310</u>
Total financial assets	<u>8,655,917</u>
Less amounts unavailable for general expenditures within one year, due to:	
Subject to appropriation and satisfaction of donor restrictions	(3,568,834)
Split-interest agreements	<u>(3,375,310)</u>
Total amounts unavailable for general expenditure within one year	<u>(6,944,144)</u>
Amounts unavailable to management without Board's approval:	
Board designated endowment	<u>(914,097)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 797,676</u>

Note 10. Net Assets without Donor Restrictions

	<u>March 31, 2021</u>
Undesignated	\$ 722,355
Land	1,687,525
Board designated for endowment	<u>914,097</u>
Total net assets without donor restrictions	<u>\$ 3,323,977</u>

Note 11. Net Assets with Donor Restrictions

	<u>March 31, 2021</u>
Subject to expenditure for specified purpose or period:	
Support of specific projects	\$ 3,568,834
Capital Funds	89,750
Massabesic Audubon Center long-lived donated assets	<u>360,000</u>
Total subject to expenditure for specified purpose or period:	<u>4,015,584</u>
Subject to the passage of time:	
Split-interest agreements	<u>\$ 3,375,310</u>

-Continued on Next Page-

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 11. Net Assets with Donor Restrictions (continued)

Endowments subject to the Society's spending policy and appropriation:

Investments in perpetuity which once appropriated,
is expendable to support:

Center support	\$ 114,786
Sanctuary preservation and maintenance	849,044
Conservation	131,293
Programs	288,185
Other	<u>23,417</u>
	<u>1,406,725</u>

Not subject to appropriation or expenditure

Permanent land holdings	6,469,510
Collections	<u>225,000</u>
	<u>6,694,510</u>

Total net assets with donor restrictions	<u>\$ 15,492,129</u>
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Note 12. Fair Value Measurements

The fair Value Measurements Topic of the FASB Accounting Standards Codification (FASB ASC 820-10) establishes 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 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 2 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at level 1 fair value generally are securities listed in active markets. The society has valued their investments, listed on national exchanges at the last sales price as of the day of valuation.
- Level 2 – inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option-pricing models, discounted cash flow models, and similar techniques.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk association with investing in those investments. Financial assets carried at fair value on a recurring basis consist of the following:

-Continued on Next Page-

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 12. Fair Value Measurements (continued)

Fair value at March 31, 2021 was determined as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed value money funds	\$ 270,255	\$ 0	\$ 0
Fixed Income	1,326,678	0	0
Equities	1,874,167	0	0
Split-interest agreements	3,375,310	0	0
Other investments	<u>0</u>	<u>0</u>	<u>1,000</u>
	<u>\$ 6,846,410</u>	<u>\$ 0</u>	<u>\$ 1,000</u>

All assets and liabilities have been valued using a market or income approach and have been consistently applied. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources.

The income approach uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option –pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Note 13. Employee Retirement Plan

The Society has a tax deferred Annuity Retirement Plan that allows employees to make voluntary contributions, on a pre-tax basis, through salary reduction. The Society makes a matching contribution for each participating employee up to 6% of the participant's compensation. The Society's matching contributions for the year ending March 31, 2021 was \$0

Note 14. Contingent Liabilities

The Society has contracts with various state and Federal agencies to provide conservation and other services. Under the terms of these agreements, the Society is required to provide the contracted services within the contract period for purposes specified in the budget. If program expenditures are determined not to have been made in compliance with the approved budget, the Society may be required to repay such funds.

-Continued on Next Page-

THE AUDUBON SOCIETY OF NEW HAMPSHIRE
Notes to the Financial Statements
March 31, 2021

Note 15. National Wildlife Federation Affiliation

A formal affiliation between the National Wildlife Federation (“NWF”) and the Society was effective November 5, 2011. The benefits to the Society are both programmatic and pragmatic.

Programmatically, NWF’s mission focus is wildlife conservation. Its programs are rooted in policy, science, and education. Its scope is national. The Society’s mission is protecting New Hampshire’s environment for wildlife and for people. The Society’s programs focus on policy, conservation science, education and land protection. The Society’s focus is statewide, but many of the issues are national in scope, e.g., bird conservation, climate change.

Working with NWF, the Society has access to talented people whose knowledge complements the Society’s staffs’. NWF serves a coordinating role for its New England affiliates and facilitates communication among the Society staff and other NWF affiliates working on the same issues.

From a practical standpoint, NWF is a large organization with more than 7,000 members in New Hampshire to whom the Society has access. A key organization goal for the Society is to build the membership base. Given the similarity in missions and work, NWF members are likely to be interested in the Society, but in all probability have never been asked to join. With grant support from the New Hampshire Charitable Foundation, NWF brought the development director from its New Jersey affiliated to the Society for board/staff training on fundraising. NWF offers affiliate training to help them build capacity and seeks to strengthen the regional environmental community through its affiliates. Annually, NWF and the Society identify areas on which to work together. Currently, capacity building is the primary focus. The scientific and policy staff are identifying additional areas of mutual interest and collaborating on an issue-by-issue basis.

Note 16. Subsequent Events

The Society has evaluated subsequent events through January 20, 2022, the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date.

No subsequent events were identified that would require disclosure in the financial statements for the year ended March 31, 2021.

Subsequent to March 31, 2021 the Society has begun an analysis to confirm the allocation of net assets between unrestricted and restricted net assets.