

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

FINANCIAL REPORT

MARCH 31, 2019

## CONTENTS

**Page**

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS.....	1 and 2
FINANCIAL STATEMENTS	
Statements of financial position.....	3
Statements of activities and changes in net assets.....	4
Statements of cash flows .....	5
Statements of functional expenses.....	6 and 7
Notes to financial statements.....	8-23



***INDEPENDENT AUDITOR'S REPORT***

To the Board of Trustees  
The Audubon Society of New Hampshire  
Concord, New Hampshire 03301

We have audited the accompanying financial statements of The Audubon Society of New Hampshire, which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2019 and 2018, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Nathan Wechsler & Company*

Concord, New Hampshire  
February 10, 2020

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENTS OF FINANCIAL POSITION

March 31, 2019 and 2018

		<i>ASSETS</i>	
		2019	2018
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	1,325,856	\$ 829,050
Accounts receivable		70,796	102,188
Contributions receivable		-	5,052
Merchandise inventories		33,538	18,907
Prepaid expenses		25,056	25,211
		<hr/>	<hr/>
<i>Total current assets</i>		1,455,246	980,408
<b>PROPERTY AND EQUIPMENT, net</b>		<hr/>	<hr/>
		11,220,933	11,323,770
<b>INVESTMENTS AND OTHER ASSETS</b>			
Investments		2,806,886	2,802,463
Split-interest agreements		2,974,376	2,648,729
Art collection		225,000	225,000
		<hr/>	<hr/>
<i>Total investments and other assets</i>		6,006,262	5,676,192
		<hr/>	<hr/>
<i>Total assets</i>	<b>\$</b>	<b>18,682,441</b>	<b>\$ 17,980,370</b>
<hr/>			
		<i>LIABILITIES AND NET ASSETS</i>	
		2019	2018
<b>CURRENT LIABILITIES</b>			
Current maturities of long-term debt	\$	17,319	\$ 16,297
Current portion of gift annuity payable		17,125	19,100
Accounts payable and accrued expenses		55,892	29,405
Accrued payroll and related liabilities		114,631	106,999
Deferred revenue		77,495	84,899
Other current liabilities		65,733	49,258
		<hr/>	<hr/>
<i>Total current liabilities</i>		348,195	305,958
<b>LONG-TERM LIABILITIES</b>			
Long-term debt, less current maturities		574,910	592,305
Gift annuity payable, excluding current portion		60,268	62,783
		<hr/>	<hr/>
<i>Total long-term liabilities</i>		635,178	655,088
		<hr/>	<hr/>
<i>Total liabilities</i>		983,373	961,046
<b>COMMITMENTS (See Notes)</b>			
<b>NET ASSETS</b>			
Without donor restriction (Note 10)		3,599,255	3,213,446
With donor restriction (Note 11)		14,099,813	13,805,878
		<hr/>	<hr/>
<i>Total net assets</i>		17,699,068	17,019,324
		<hr/>	<hr/>
<i>Total liabilities and net assets</i>	<b>\$</b>	<b>18,682,441</b>	<b>\$ 17,980,370</b>
<hr/>			

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended March 31, 2019 and 2018

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Revenue, support, and releases						
Contributions	\$ 980,454	\$ 108,239	\$ 1,088,693	\$ 347,049	\$ 143,672	\$ 490,721
Bequests	-	-	-	285,017	-	285,017
Grants	46,507	127,804	174,311	27,400	180,469	207,869
Contracts	349,003	36,188	385,191	263,411	107,776	371,187
Memberships	101,504	-	101,504	92,206	-	92,206
Programs, events, and visitor fees	386,128	65,837	451,965	402,739	107,176	509,915
Sales of merchandise, net of cost of goods sold						
2019 \$37,792; 2018 \$51,106	44,062	-	44,062	35,676	-	35,676
Investment income from trusts	13,360	-	13,360	19,772	-	19,772
Investment spending draw	36,371	43,550	79,921	30,270	41,831	72,101
Other income	52,090	6,679	58,769	77,356	-	77,356
Net assets released from restrictions for satisfaction of program restrictions	463,660	(463,660)	-	694,370	(694,370)	-
<i>Total revenue, support and releases</i>	<u>2,473,139</u>	<u>(75,363)</u>	<u>2,397,776</u>	<u>2,275,266</u>	<u>(113,446)</u>	<u>2,161,820</u>
Expenses						
Program service expenses						
Conservation	457,391	-	457,391	574,174	-	574,174
Amoskeag Fishways	247,446	-	247,446	214,076	-	214,076
Newfound Audubon Center	39,166	-	39,166	34,065	-	34,065
Massabesic Audubon Center	333,268	-	333,268	329,918	-	329,918
Silk Farm Audubon Center	568,604	-	568,604	660,091	-	660,091
Supporting services						
Administration and general	220,886	-	220,886	234,109	-	234,109
Membership, development, and communication	242,184	-	242,184	286,170	-	286,170
<i>Total expenses</i>	<u>2,108,945</u>	<u>-</u>	<u>2,108,945</u>	<u>2,332,603</u>	<u>-</u>	<u>2,332,603</u>
<i>Income (loss) from operations</i>	<u>364,194</u>	<u>(75,363)</u>	<u>288,831</u>	<u>(57,337)</u>	<u>(113,446)</u>	<u>(170,783)</u>
Nonoperating revenue and other changes in net assets						
Contributions	-	6,116	6,116	-	6,106	6,106
Investment income, net of spending draw	21,615	33,045	54,660	30,012	52,746	82,758
Change in value of split-interest agreements	-	330,137	330,137	-	(9,528)	(9,528)
<i>Total change in net assets</i>	<u>385,809</u>	<u>293,935</u>	<u>679,744</u>	<u>(27,325)</u>	<u>(64,122)</u>	<u>(91,447)</u>
Net assets, beginning of year	3,213,446	13,805,878	17,019,324	3,240,771	13,870,000	17,110,771
<i>Net assets, end of year</i>	<u>\$ 3,599,255</u>	<u>\$ 14,099,813</u>	<u>\$ 17,699,068</u>	<u>\$ 3,213,446</u>	<u>\$ 13,805,878</u>	<u>\$ 17,019,324</u>

See Notes to Financial Statements.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 679,744	\$ (91,447)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	150,956	152,273
Realized and unrealized gain on investments	(57,340)	(93,892)
(Increase) decrease in value of split-interest agreements, net of change in related liabilities and proceeds from split-interest agreements	(325,647)	28,488
Restricted contributions	(6,116)	(6,106)
(Increase) decrease in accounts receivable	31,392	(16,656)
(Increase) decrease in contributions receivable	5,052	(5,052)
(Increase) decrease in merchandise inventories	(14,631)	1,168
Decrease in prepaid expenses	155	18,601
Increase in accounts payable and accrued expenses	26,487	6,570
Increase (decrease) in accrued payroll and related liabilities	7,632	(3,128)
Decrease in deferred revenue	(7,404)	(32,634)
Increase in other current liabilities	16,475	31,057
Decrease in gift annuity payable	(3,468)	(14,964)
<i>Net cash provided by (used in) operating activities</i>	<u>503,287</u>	<u>(25,722)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(70,931)	(2,971,170)
Proceeds from sale of investments	123,848	3,037,975
Purchase of property and equipment	(48,119)	(11,038)
<i>Net cash provided by investing activities</i>	<u>4,798</u>	<u>55,767</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments of long-term debt	(17,395)	(13,720)
Restricted contributions	6,116	6,106
<i>Net cash used in financing activities</i>	<u>(11,279)</u>	<u>(7,614)</u>
<i>Net increase in cash and cash equivalents</i>	496,806	22,431
Cash and cash equivalents, beginning of year	<u>829,050</u>	<u>806,619</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 1,325,856</u>	<u>\$ 829,050</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash payments for interest	\$ 36,598	\$ 35,144

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended March 31, 2019

	Program Services					Supporting Services		Total
	Conservation	Amoskeag Fishways	Newfound Audubon Center	Massabesic Audubon Center	Silk Farm Audubon Center	Administrative and General	Membership, Development, and Communication	
Salaries and wages	\$ 288,091	\$ 185,212	\$ 27,117	\$ 212,258	\$ 234,125	\$ 70,868	\$ 152,812	\$ 1,170,483
Employee benefits	67,071	38,856	3,635	25,197	38,208	15,056	15,612	203,635
Depreciation and amortization	18,062	-	121	12,986	81,564	38,223	-	150,956
Repairs and maintenance	13,924	1,625	1,829	16,332	57,084	-	-	90,794
Program expenses	9,876	7,121	675	12,422	17,600	1,688	11,368	60,750
Insurance	15,465	-	1,354	9,581	20,726	12,060	-	59,186
Printing and postage	7,469	8,974	373	1,032	618	1,081	36,354	55,901
Utilities	759	-	1,283	20,140	29,946	-	-	52,128
Professional services	8,032	-	975	6,210	9,373	24,611	991	50,192
Interest	3,392	-	-	2,427	15,607	15,172	-	36,598
Travel and entertainment	9,429	1,912	413	6,725	9,094	2,074	1,214	30,861
Outside services	8,589	-	-	-	848	2,435	16,143	28,015
Equipment	744	1,524	88	-	19,251	1,163	68	22,838
Dues and subscriptions	1,247	361	50	962	12,271	-	5,725	20,616
Advertising	-	-	-	-	523	15,808	-	16,331
Miscellaneous	76	101	7	1,107	5,099	8,149	1,032	15,571
Office supplies	1,491	1,690	8	1,131	9,493	701	275	14,789
Telephone	240	-	1,238	4,758	7,123	-	-	13,359
Bad debt expense	-	-	-	-	-	8,721	-	8,721
Conferences and meetings	20	70	-	-	51	3,076	590	3,807
Property taxes	3,414	-	-	-	-	-	-	3,414
<i>Total expenses</i>	<b>\$ 457,391</b>	<b>\$ 247,446</b>	<b>\$ 39,166</b>	<b>\$ 333,268</b>	<b>\$ 568,604</b>	<b>\$ 220,886</b>	<b>\$ 242,184</b>	<b>\$ 2,108,945</b>



THE AUDUBON SOCIETY OF NEW HAMPSHIRE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended March 31, 2018

	Program Services					Supporting Services		Total
	Conservation	Amoskeag Fishways	Newfound Audubon Center	Massabesic Audubon Center	Silk Farm Audubon Center	Administrative and General	Membership, Development, and Communication	
Salaries and wages	\$ 335,266	\$ 133,749	\$ 22,325	\$ 188,542	\$ 302,444	\$ 83,700	\$ 192,739	\$ 1,258,765
Employee benefits	101,104	41,248	1,916	17,867	61,450	13,105	24,920	261,610
Depreciation and amortization	18,267	-	118	13,089	81,620	39,179	-	152,273
Repairs and maintenance	11,220	3,580	2,611	39,978	55,599	-	-	112,988
Program expenses	18,927	5,148	1,534	18,117	39,374	1,852	13,778	98,730
Insurance	15,767	-	1,126	8,789	11,204	23,206	-	60,092
Printing and postage	11,681	9,712	294	492	426	-	34,038	56,643
Professional services	10,376	-	978	5,876	7,920	24,563	-	49,713
Miscellaneous	8,612	195	47	2,832	13,675	15,743	4,133	45,237
Utilities	347	-	689	14,600	25,576	-	-	41,212
Outside services	20,799	-	918	100	-	8,684	10,446	40,947
Interest	3,392	-	-	2,427	15,607	13,718	-	35,144
Travel and entertainment	11,693	2,411	623	4,627	6,068	4,731	733	30,886
Equipment	761	2,045	-	5,388	21,641	125	8	29,968
Advertising	-	13,709	-	803	2,119	-	1,369	18,000
Office supplies	848	1,870	90	576	6,076	2,705	2,127	14,292
Telephone	240	-	771	4,320	7,070	1,232	-	13,633
Dues and subscriptions	100	295	25	1,495	1,852	507	846	5,120
Property taxes	4,760	-	-	-	-	-	-	4,760
Conferences and meetings	14	114	-	-	370	1,059	1,033	2,590
<i>Total expenses</i>	<b>\$ 574,174</b>	<b>\$ 214,076</b>	<b>\$ 34,065</b>	<b>\$ 329,918</b>	<b>\$ 660,091</b>	<b>\$ 234,109</b>	<b>\$ 286,170</b>	<b>\$ 2,332,603</b>

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

---

### *Note 1. Nature of Business*

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 source of revenues.

### *Note 2. Significant Accounting Policies*

**Basis of accounting:** The financial statements of the Society have been prepared on the accrual basis; 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 consist 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.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

---

**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 those 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 collection 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 years ended March 31, 2019 and 2018.

**Contributions receivable:** Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions 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. There were no contributions receivable at March 31, 2019. Contributions receivable at March 31, 2018 amounted to \$5,052.

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 collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for doubtful accounts was recorded for the years ended March 31, 2019 and 2018. There was no bad debt expense related to contributions receivable balances for the years ended March 31, 2019 and 2018.

**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 and 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%. The Society may use the Endowment’s investment yield 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.

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

---

**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 reappraised and is being carried at the estimated market value as of March 31, 2014. Subsequent additions acquired by purchase will be stated at cost; additions acquired 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 thereon. 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 not-for-profit 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 years ended March 31, 2019 and 2018, 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 2016.

**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 restriction. 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.

Contributions 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.

**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 and number of employees working on the various functional areas.

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

---

**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.

**Change in accounting principle:** In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

The Society has adopted this ASU for the year ended March 31, 2019 with retroactive application for the March 31, 2018 financial statements. As a result, the Society changed its presentation of its net assets classes and expanded the footnote disclosures as required by the ASU. The Society has opted to not disclose liquidity and availability information for March 31, 2018 as permitted under the ASU in the year of adoption.

**Recent accounting pronouncements:** In May 2014, the FASB issued, *Revenue from Contracts with Customers* (ASU 2014-09), which 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. ASU 2014-09 will replace most existing revenue recognition guidance when it becomes effective on July 1, 2019. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. Management is currently evaluating the impact this will have on its financial statements.

In February 2016, the FASB issued, *Leases, Topic 842* (ASU 2016-02), which will be effective for the Society on July 1, 2020, 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.

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO 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 \$154,000 at March 31, 2019.

### *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 due to overall market conditions. Investments consist of the following:

March 31,	2019	2018
Cash and cash equivalents	\$ 31,028	\$ 107,895
Corporate stocks	893,373	1,195,109
U.S. Government securities	123,217	50,335
Bond funds	1,191,891	596,352
Equity funds	566,377	851,772
Other investments	1,000	1,000
<i>Total investments</i>	<u>\$ 2,806,886</u>	<u>\$ 2,802,463</u>

Investment income consists of the following:

March 31,	2019	2018
Interest and dividends, net of investment fees of \$14,073 in 2019; \$12,390 in 2018	\$ 77,241	\$ 60,967
Realized and unrealized income	57,340	93,892
<i>Total investment income</i>	<u>\$ 134,581</u>	<u>\$ 154,859</u>

The Society's investments consist of donor-restricted endowment funds established for a variety of purposes and board designated endowment 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 AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

---

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 appropriate 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.

As a result of this interpretation, the Society classifies as net assets with donor restriction (a) the original value of gifts 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 applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily 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. Deficiencies of this nature exist in five donor-restricted endowment funds, which together have an original gift value of \$133,508, and a current fair value of \$129,890 and a deficiency of \$3,618 as of March 31, 2019. Deficiencies of this nature existed in four donor-restricted endowment funds, which together had an original gift value of \$90,778, and a fair value of \$87,446 and a deficiency of \$3,332 as of March 31, 2018. 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. These deficiencies are included in net assets with donor restrictions.

**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.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

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.

**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 preceding 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, \$79,921 and \$72,101 was appropriated for expenditure for years ended March 31, 2019 and 2018, respectively. 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 governing board appropriated for expenditure \$5,072 and \$3,476 from underwater endowment funds during the years ended March 31, 2019 and 2018, which represents 4% of the average twelve trailing quarters which it generally draws from its endowment.

The composition of the endowment account as of March 31, 2019 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board designated endowment funds	\$ 771,764	\$ -	\$ 771,764
Donor-restricted endowment funds	-	1,055,404	1,055,404
<i>Total</i>	<u>\$ 771,764</u>	<u>\$ 1,055,404</u>	<u>\$ 1,827,168</u>

Changes in endowment account for the year ended March 31, 2019 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 770,706	\$ 1,054,251	\$ 1,824,957
Investment return			
Investment income, net of fees	16,979	20,835	37,814
Realized and unrealized gains	15,851	22,351	38,202
Contributions	-	6,116	6,116
Appropriation of endowment assets for expenditure	(38,388)	(41,533)	(79,921)
Transfers to cover deficiencies	6,616	(6,616)	-
<i>Endowment net assets, end of year</i>	<u>\$ 771,764</u>	<u>\$ 1,055,404</u>	<u>\$ 1,827,168</u>



THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

The composition of the endowment account as of March 31, 2018 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board designated endowment funds	\$ 770,706	\$ -	\$ 770,706
Donor-restricted endowment funds	-	1,054,251	1,054,251
<i>Total</i>	<u>\$ 770,706</u>	<u>\$ 1,054,251</u>	<u>\$ 1,824,957</u>

Changes in endowment account for the year ended March 31, 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 756,700	\$ 1,044,922	\$ 1,801,622
Investment return			
Investment income, net of fees	11,114	15,599	26,713
Realized and unrealized gains	25,470	37,147	62,617
Contributions	-	6,106	6,106
Appropriation of endowment assets for expenditure	(30,270)	(41,831)	(72,101)
Transfers to cover deficiencies	7,692	(7,692)	-
<i>Endowment net assets, end of year</i>	<u>\$ 770,706</u>	<u>\$ 1,054,251</u>	<u>\$ 1,824,957</u>

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

---

*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 change in net assets.

Split-interest agreements consist of the following:

March 31,	2019	2018
Markus Trust (perpetual income trust)	\$ 1,722,079	\$ 1,372,871
Chase Trust (perpetual income trust)	89,890	89,778
Pooled income fund	1,024,398	1,034,937
Charitable annuity fund	138,009	151,143
<i>Total split-interest agreements</i>	<u>\$ 2,974,376</u>	<u>\$ 2,648,729</u>

The income received from the Markus and Chase Trusts is restricted for sanctuary preservation and maintenance. Total income received from these split-interest agreements amounted to \$- and \$25,633 for the years ended March 31, 2019 and 2018, respectively.

The Society is the income beneficiary of revocable trust funds maintained by the New Hampshire Charitable Foundation. On March 31, 2019 and 2018, these funds had a market value of \$637,755 and \$609,546, respectively. Income distributions on these trust funds are recorded as contribution revenue when received, and amounted to \$24,349 and \$24,727 for the years ended March 31, 2019 and 2018, respectively.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

**Note 7. Long-Term Debt**

Long-term debt consists of the following:

March 31,	2019	2018
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 certain real estate of the Society located in Concord, Auburn, Antrim, and Marlborough, New Hampshire. On September 7, 2037, the balance will convert to the lender's variable interest rate unless the remaining balance is repaid or fixed for an additional period.	\$ 592,229	\$ 608,602
Less current portion	17,319	16,297
<i>Long-term debt, less current portion</i>	<u>\$ 574,910</u>	<u>\$ 592,305</u>

Aggregate maturities required on long-term debt at March 31, 2019 are as follows:

2020	\$ 17,319
2021	18,406
2022	19,560
2023	20,787
2024	22,091
Thereafter	494,066
<i>Total</i>	<u>\$ 592,229</u>

The loan agreement contains covenants, the most restrictive of which require the Society to maintain a working capital minimum of 150% of the loan balance and a minimum net worth of \$13 million. Interest expense amounted to \$36,598 and \$35,144 for the years ended March 31, 2019 and 2018, respectively.

**Note 8. Property and Equipment**

Property and equipment consisted of the following:

March 31,	2019	2018
Land and improvements	\$ 8,157,935	\$ 8,157,935
Building and improvements	5,645,266	5,525,845
Equipment	240,667	311,970
Vehicles	57,116	57,116
	<u>14,100,984</u>	<u>14,052,866</u>
Less accumulated depreciation	2,880,051	2,729,096
<i>Property and equipment, net</i>	<u>\$ 11,220,933</u>	<u>\$ 11,323,770</u>

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

*Note 9. Liquidity and Availability of Resources*

March 31,	<b>2019</b>
Cash and cash equivalents	\$ 1,325,856
Accounts receivable	70,796
Investments	2,806,886
Split-interest agreements	<u>2,974,376</u>
<i>Total financial assets</i>	7,177,914
Less amounts unavailable for general expenditures within one year, due to:	
Subject to appropriation and satisfaction of donor restrictions	(2,027,198)
Split-interest agreements	<u>(2,974,376)</u>
<i>Total amounts unavailable for general expenditure within one year</i>	<u>(5,001,574)</u>
Amounts unavailable to management without Board's approval:	
Board designated endowment	<u>(771,764)</u>
<i>Total financial assets available to management for general expenditure within one year</i>	<u><u>\$ 1,404,576</u></u>

*Note 10. Net Assets without Donor Restrictions*

March 31,	<b>2019</b>	<b>2018</b>
Undesignated	\$ 1,139,967	\$ 755,216
Land	1,687,524	1,687,524
Board designated for endowment	<u>771,764</u>	<u>770,706</u>
<i>Total net assets without donor restrictions</i>	<u><u>\$ 3,599,255</u></u>	<u><u>\$ 3,213,446</u></u>

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

*Note 11. Net Assets with Donor Restrictions*

March 31,	2019	2018
Subject to expenditure for specified purpose or period:		
Support of specific projects	\$ 2,909,492	\$ 2,920,173
Capital funds	89,750	89,750
Massabesic Audubon Center long-lived donated assets	368,054	390,774
<i>Total subject to expenditure for specified purpose or period:</i>	3,367,296	3,400,697
Subject to the passage of time:		
Split-interest agreements	2,974,376	2,648,729
Endowments subject to the Society's spending policy and appropriation:		
Investments in perpetuity (original amounts of \$2,677,135 in 2019 and \$2,321,698 in 2018), which once appropriated, is expendable to support:		
Center support	\$ 86,790	\$ 86,654
Sanctuary preservation and maintenance	641,966	640,958
Conservation	99,271	99,096
Programs	217,898	217,556
Other	17,706	17,678
	1,063,631	1,061,942
Not subject to appropriation or expenditure:		
Permanent land holdings	\$ 6,469,510	\$ 6,469,510
Collections	225,000	225,000
	6,694,510	6,694,510
<i>Total net assets with donor restrictions</i>	<b>\$ 14,099,813</b>	<b>\$ 13,805,878</b>

*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 3 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.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

- 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 associated with investing in those investments. Financial assets carried at fair value on a recurring basis consist of the following:

Fair value at March 31, 2019 was determined as follows:

	Level 1	Level 2	Level 3
Fixed value money funds	\$ 31,028	\$ -	\$ -
Fixed obligations:			
U.S. Government obligations	123,217	-	-
Common stock:			
ETF - Domestic	1,079,815	-	-
ETF - International	379,934	-	-
ETF - Mortgage backed securities	95,724	-	-
Bond mutual funds:			
Domestic bonds	990,830	-	-
International bonds	27,515	-	-
High yield bonds	77,823	-	-
Split-interest agreements	-	-	2,974,376
Other investments	1,000	-	-
	<u>\$ 2,806,886</u>	<u>\$ -</u>	<u>\$ 2,974,376</u>

Fair value at March 31, 2018 was determined as follows:

	Level 1	Level 2	Level 3
Fixed value money funds	\$ 107,896	\$ -	\$ -
Fixed obligations:			
U.S. Government obligations	102,335	-	-
Common stock:			
ETF - Domestic	1,203,823	-	-
Bond mutual funds:			
Domestic bonds	544,352	-	-
Mutual funds:			
Fixed Income	495,820	-	-
International	347,237	-	-
Split-interest agreements	-	-	2,648,729
Other investments	1,000	-	-
	<u>\$ 2,802,463</u>	<u>\$ -</u>	<u>\$ 2,648,729</u>

# THE AUDUBON SOCIETY OF NEW HAMPSHIRE

## NOTES TO FINANCIAL STATEMENTS

---

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.

The following table presents the change in Level 3 instruments for the year ended March 31, 2019:

	<b>Split Interest Agreements</b>
Balance, beginning of year	\$ 2,648,729
Investment fees	(23,754)
Distributions	-
Total realized and unrealized gains, included in changes in net assets	349,401
Balance, end of year	<u>\$ 2,974,376</u>
Amount of unrealized gains attributable to change in unrealized gains relating to assets still held at the reporting date, included in changes in net assets	<u>\$ 349,401</u>

The following table presents the change in Level 3 instruments for the year ended March 31, 2018:

	<b>Split Interest Agreements</b>
Balance, beginning of year	\$ 2,677,217
Investment fees	(22,573)
Distributions	(25,633)
Total realized and unrealized gains, included in changes in net assets	19,718
Balance, end of year	<u>\$ 2,648,729</u>
Amount of unrealized gains attributable to change in unrealized gains relating to assets still held at the reporting date, included in changes in net assets	<u>\$ 19,718</u>

### ***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 years ended March 31, 2019 and 2018 were \$6,674 and \$37,426, respectively.

THE AUDUBON SOCIETY OF NEW HAMPSHIRE

NOTES TO FINANCIAL STATEMENTS

---

**Note 14. Rental Activity**

The Society leases office space to tenants under non-cancelable operating leases with terms of one to five years, with options to renew for one term, at its Concord, NH facility. Tenants are also responsible for paying their proportionate share of certain utilities.

The following is a schedule by years of future minimum rentals under the leases at March 31, 2019:

2020		\$	26,326
2021			24,042
2022			23,892
2023			24,360
	<i>Total</i>	\$	<u>98,620</u>

**Note 15. 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.

**Note 16. Subsequent Events**

The Society has evaluated subsequent events through November 2019, 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, 2019.

**Note 17. 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.



## THE AUDUBON SOCIETY OF NEW HAMPSHIRE

### NOTES TO FINANCIAL STATEMENTS

---

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 affiliate 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.