# Consolidated Financial Statements and Report of Independent Certified Public Accountants

National Audubon Society, Inc.

June 30, 2023 and 2022

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#### REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of National Audubon Society, Inc.

#### **Opinion**

We have audited the consolidated financial statements of National Audubon Society, Inc. and subsidiaries ("Audubon"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Audubon as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for opinion**

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

### **Emphasis of Matter**

As discussed in Notes 2 and 8 to the consolidated financial statements in 2023, Audubon adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

### Responsibilities of management for the financial statements

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

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



#### Auditor's responsibilities for the audit of the financial statements

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

In performing an audit in accordance with US GAAS, we:

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

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

New York, New York November 20, 2023

Sant Thornton LLP

## **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30,

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 99,696,232	\$ 104,475,535
Other receivables, net	13,560,156	16,465,399
Prepaid expenses and other assets	3,227,498	2,388,188
Pledges receivable, net	26,756,722	21,521,843
Investments	273,072,512	248,678,161
Beneficial interest in charitable trusts	39,054,598	37,060,292
Pension funded status	201,122	-
Right-of-use operating lease assets	11,523,271	-
Right-of-use financing lease assets	326,077	-
Building and equipment, net	44,257,616	42,043,708
Land	103,052,509	102,624,197
Total assets	\$ 614,728,313	\$ 575,257,323
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 12,735,054	\$ 13,461,645
Deferred tuition and other	3,541,462	1,589,895
Funds held for others	7,313,366	4,716,380
Obligations under charitable trusts	7,702,319	7,868,900
Operating lease liabilities	15,914,048	-
Financing lease liabilities	328,706	-
Deferred rent	-	3,552,678
Pension plan obligation	-	43,840
Postretirement benefit obligation	90,150	163,503
Total liabilities	47,625,105	31,396,841
Commitments and contingencies		
NET ASSETS		
Net assets without donor restrictions	261,880,553	260,498,590
Net assets with donor restrictions	305,222,655	283,361,892
Total net assets	567,103,208	543,860,482
Total liabilities and net assets	\$ 614,728,313	\$ 575,257,323

## **CONSOLIDATED STATEMENT OF ACTIVITIES**

## Year ended June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
Operating activities			
Revenues, gains and other support			
Contributions and grants of financial assets	\$ 86,231,400	\$ 38,345,676	\$ 124,577,076
Contributions of nonfinancial assets	4,859,452	-	4,859,452
Bequests	17,042,969	2,767,814	19,810,783
Earned income	8,922,005	-	8,922,005
Investment earnings on non-pooled funds, net	4,826,377	247	4,826,624
Investment earnings on pooled funds - appropriated, net	8,847,973	343,235	9,191,208
Other revenue	1,822,024	-	1,822,024
Net assets released from restrictions	29,632,221	(29,632,221)	
Total revenues, gains and other support	162,184,421	11,824,751	174,009,172
Expenses			
Conservation programs			
Field conservation programs	92,332,766	-	92,332,766
National conservation programs	36,788,963		36,788,963
Total program expense	129,121,729		129,121,729
Fundraising			
Membership development	13,884,661	-	13,884,661
Other development	12,314,758		12,314,758
Total development expense	26,199,419	-	26,199,419
Management and general	8,511,355		8,511,355
Total operating expenses	163,832,503		163,832,503
Changes in net assets from operations	(1,648,082)	11,824,751	10,176,669
Non-operating activities			
Gain on sales of land, buildings and equipment	15,863	-	15,863
Investment gains on pooled funds not appropriated, net	2,672,140	6,719,069	9,391,209
Charitable trust additions	-	424,344	424,344
Change in value of charitable trusts	-	2,892,599	2,892,599
Pension and postretirement related changes other than net			
periodic costs	342,042		342,042
Changes in net assets	1,381,963	21,860,763	23,242,726
Net assets, beginning of year	260,498,590	283,361,892	543,860,482
Net assets, end of year	\$ 261,880,553	\$ 305,222,655	\$ 567,103,208

## **CONSOLIDATED STATEMENT OF ACTIVITIES**

## Year ended June 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
Operating activities			
Revenues, gains and other support			
Contributions and grants of financial assets	\$ 72,615,887	\$ 31,776,428	\$ 104,392,315
Contributions of nonfinancial assets	4,905,353	-	4,905,353
Bequests	17,163,700	3,319,534	20,483,234
Earned income	8,958,004	-	8,958,004
Investment earnings on non-pooled funds, net	1,838,423	70	1,838,493
Investment earnings on pooled funds - appropriated, net	8,076,716	320,164	8,396,880
Other revenue	3,036,391	333,333	3,369,724
Net assets released from restrictions	31,686,447	(31,686,447)	
Total revenues, gains and other support	148,280,921	4,063,082	152,344,003
Expenses			
Conservation programs			
Field conservation programs	85,489,946	-	85,489,946
National conservation programs	33,656,946		33,656,946
Total program expense	119,146,892		119,146,892
Fundraising			
Membership development	10,174,098	-	10,174,098
Other development	12,159,761		12,159,761
Total development expense	22,333,859	-	22,333,859
Management and general	7,695,762		7,695,762
Total operating expenses	149,176,513		149,176,513
Changes in net assets from operations	(895,592)	4,063,082	3,167,490
Non-operating activities			
Gain on sales of land, buildings and equipment	810,249	-	810,249
Investment losses on pooled funds not appropriated, net	(9,184,935)	(26,884,562)	(36,069,497)
Charitable trust additions	-	180,959	180,959
Change in value of charitable trusts	-	(9,985,667)	(9,985,667)
Pension and postretirement related changes other than net			
periodic costs	(417,443)		(417,443)
Changes in net assets	(9,687,721)	(32,626,188)	(42,313,909)
Net assets, beginning of year	270,186,311	315,988,080	586,174,391
Net assets, end of year	\$ 260,498,590	\$ 283,361,892	\$ 543,860,482

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

## Year ended June 30, 2023

	Co	nservati	on Program Ex	pens	es	Fundraising Expenses																																			
					Total						Total																														
	Field		National			M	embership	Other		Development		Management																													
	Programs		Programs			Expenses		De	Development		Development		Development		Development		Development		Development		Development		Development		Development		Development		Development		Development		Development		Development		Development		Expenses	ar	nd General
Salaries	\$ 40,998,8	29 \$	11,862,020	\$	52,860,849	\$	1,564,419	\$	7,345,846	\$	8,910,265	\$	3,082,740	\$	64,853,854																										
Payroll taxes and fringe benefits	11,316,9		3,276,817	Ψ	14,593,785	Ψ	431,683	Ψ	2,026,998	Ψ	2,458,681	Ψ	850,645	Ψ	17,903,111																										
Travel and meetings	2,333,1		751,277		3,084,387		62,475		604,304		666,779		432,772		4,183,938																										
Postage and mailing	107,0		3,590,977		3,697,987		3,027,319		53,886		3,081,205		12,178		6,791,370																										
Grants and scholarships	3,658,6	35	1,552,631		5,211,266		9,559		23,567		33,126		26,988		5,271,380																										
Chapter grants and support	33,8	56	1,044,543		1,078,399		-		-		=		-		1,078,399																										
Professional services	19,378,4	89	8,525,472		27,903,961		3,486,070		1,284,795		4,770,865		2,093,756		34,768,582																										
Occupancy	3,036,7	63	432,078		3,468,841		105,606		294,742		400,348		804,276		4,673,465																										
Telecommunications	399,8	30	38,208		438,038		8,787		12,030		20,817		36,248		495,103																										
Maintenance and other rental fees	2,318,7	49	110,023		2,428,772		30,302		98,940		129,242		112,286		2,670,300																										
Supplies & Equipment	2,568,0	37	452,079		3,020,116		89,056		103,810		192,866		323,089		3,536,071																										
Printing, promotion, and magazine	204,8	25	3,205,951		3,410,776		2,082,866		84,438		2,167,304		3,342		5,581,422																										
Membership fulfillment		-	521,795		521,795		713,662		76,933		790,595		-		1,312,390																										
Service bureaus	908,9	50	505,090		1,414,040		187,029		85,316		272,345		216,908		1,903,293																										
Insurance	1,232,5	61	76,490		1,309,051		7,958		34,153		42,111		290,221		1,641,383																										
Advertising	141,7	36	210		141,946		2,004,199		74,587		2,078,786		65		2,220,797																										
Subscriptions, dues, fees, and licenses	664,2	86	744,011		1,408,297		52,514		87,765		140,279		98,201		1,646,777																										
Depreciation and amortization	2,905,2	83	72,282		2,977,565		19,613		18,273		37,886		104,104		3,119,555																										
Other	124,8	49	27,009		151,858		1,544		4,375		5,919		23,536		181,313																										
Total expenses	\$ 92,332,7	66 \$	36,788,963	\$	129,121,729	\$	13,884,661	\$	12,314,758	\$	26,199,419	\$	8,511,355	\$	163,832,503																										

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

## Year ended June 30, 2022

		Conser	vatio	n Program Ex	pens	ses	Fundraising Expenses																																					
						Total						Total																																
	Field		Field		National Program		M	embership		Other	De	velopment	Ma	nagement																														
	Pro	ograms		Programs		Expenses		Development Development		Development Develo		Development		Development		Development		Development		Development		Development		Development		Development		Development		Development		Development		Development		Development		elopment Development		xpenses	an	d General		Total
Salaries	\$ 3	37,869,264	\$	12,226,771	\$	50,096,035	\$	1,156,658	\$	7,014,006	\$	8,170,664	\$	3,466,984	\$	61,733,683																												
Payroll taxes and fringe benefits		0,032,429	φ	3,242,728	φ	13,275,157	φ	306,165	φ	1,856,592	φ	2,162,757	Φ	917,703	φ	16,355,617																												
Travel and meetings	'	1,286,964		420,726		1,707,690		15,450		401,881		417,331		361,319		2,486,340																												
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Postage and mailing		91,714		3,388,274		3,479,988		2,424,801		125,503		2,550,304		11,093		6,041,385																												
Grants and scholarships		4,869,664		486,924		5,356,588		3,532		13,210		16,742		9,266		5,382,596																												
Chapter grants and support		27,500		1,060,105		1,087,605		<del>.</del>		<del>-</del>		<del>.</del>				1,087,605																												
Professional services	1	6,532,714		7,285,953		23,818,667		2,544,776		1,664,488		4,209,264		1,207,338		29,235,269																												
Occupancy		2,645,634		316,953		2,962,587		204,724		343,446		548,170		761,493		4,272,250																												
Telecommunications		453,156		44,105		497,261		13,184		19,068		32,252		69,230		598,743																												
Maintenance and other rental fees		2,490,046		313,364		2,803,410		39,716		157,860		197,576		(33,373)		2,967,613																												
Supplies & Equipment		2,454,413		462,176		2,916,589		77,928		113,552		191,480		298,138		3,406,207																												
Printing, promotion, and magazine		160,551		2,480,340		2,640,891		1,466,492		87,455		1,553,947		1,445		4,196,283																												
Membership fulfillment		708		751,008		751,716		792,186		73,729		865,915		· -		1,617,631																												
Service bureaus		905,306		490,374		1,395,680		143,453		78,994		222,447		148,960		1,767,087																												
Insurance		1,287,697		52,144		1,339,841		6,469		35,927		42,396		259,223		1,641,460																												
Advertising		87,270		9,581		96,851		916,834		52,072		968,906		2,155		1,067,912																												
Subscriptions, dues, fees, and licenses		316,899		542,789		859,688		14,583		73,306		87,889		38,487		986,064																												
Depreciation and amortization		2,856,307		81,747		2,938,054		46,970		39,288		86,258		175,140		3,199,452																												
Other		1,121,710		884		1,122,594		177		9,384		9,561		1,161		1,133,316																												
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Total expenses	\$ 8	35,489,946	\$	33,656,946	\$	119,146,892	\$	10,174,098	\$	12,159,761	\$	22,333,859	\$	7,695,762	\$	149,176,513																												

## **CONSOLIDATED STATEMENTS OF CASH FLOWS**

## Years ended June 30,

	2023	2022
Cash flows from operating activities:		
Changes in net assets	\$ 23,242,726	\$ (42,313,909)
Adjustments to reconcile changes in net assets to net cash		
provided by (used in) operating activities:		
Depreciation and amortization	3,119,555	3,199,452
Loss on disposals of land, buildings and equipment	(69,149)	1,281,811
Realized and unrealized (gains) losses on investments	(17,891,219)	31,086,465
(Increase) decrease in beneficial interests in charitable trusts	(1,994,306)	7,955,730
Gains on sales of land, buildings and equipment	(15,863)	(810,249)
Change in provision for uncollectible receivables	1,658,436	1,328,673
Long-term contributions, bequests and additions to charitable trusts	(3,615,971)	(4,384,555)
Changes in operating assets and liabilities:		
Increase in pledges and other receivables	(3,988,072)	(9,268,570)
(Increase) decrease in prepaid expenses and other assets	(843,470)	1,416,594
Increase (decrease) in accounts payable, accrued expenses, funds		
held in others and obligations under charitable trusts	1,703,814	(2,830,460)
Increase (decrease) in deferred rent, tuition and other	1,951,567	(346,585)
Decrease in pension and postretirement benefit liability	(318,315)	(248,781)
Increase in ROU lease assets	(129,843)	-
Increase in lease liabilities	972,102	
Net cash provided by (used in) operating activities	3,781,992	(13,934,384)
Cash flows from investing activities:		
Purchases of investments	(157,403,682)	(212,161,220)
Proceeds from sales of investments	150,900,550	219,240,092
Additions to land, buildings and equipment	(5,634,075)	(2,533,996)
Proceeds from sales of land, buildings and equipment	15,864	810,249
Net cash (used in) provided by investing activities	(12,121,343)	5,355,125
Cash flows from financing activities:		
Proceeds from contributions, bequests and charitable trusts restricted for:		
Endowment	925,377	472,563
Capital projects	2,266,250	3,731,033
Charitable trust additions	424,344	180,959
Repayments of principal of finance leases	(55,923)	
Net cash provided by financing activities	3,560,048	4,384,555
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,779,303)	(4,194,704)
Cash and cash equivalents, beginning of year	104,475,535	108,670,239
Cash and cash equivalents, end of year	\$ 99,696,232	\$ 104,475,535

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

#### **NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

National Audubon Society, Inc. was incorporated in 1905. Audubon's mission is to protect birds and the places they need, today and tomorrow.

Audubon's new strategic plan for fiscal years 2023-2028 orients Audubon toward achieving a singular guiding star: halting, and ultimately reversing, the precipitous decline of birds across the Americas. Three drivers underpin everything Audubon does: using a hemispheric approach to conservation; addressing the impact of climate change; and integrating equity, diversity, inclusion and belonging in everything it does.

The consolidated financial statements include National Audubon Society, Inc., National Audubon Society Action Fund, National Audubon Society Action Fund Political Action Committee, Audubon Society of Coastal Connecticut, Inc., National Audubon Society of Sharon, Inc., Lincoln Audubon Society, and The National Audubon Society of Greenwich, Inc. (collectively, "Audubon").

Audubon is a powerful distributed network of 16 U.S. state and regional offices, work in 8 countries throughout the Western Hemisphere, 31 conservation action centers, 24 sanctuaries, greater than 450 independent chapters, and partners across the Americas. In addition, Audubon currently works with students on over 165 college campuses, including campus chapters, affiliate groups and student ambassadors. Audubon works throughout the Americas using science, advocacy, education, and on-the-ground conservation. State programs, conservation action centers, chapters, and partners give Audubon an unparalleled wingspan that reaches millions of people each year to inform, inspire, and unite diverse communities in conservation action. A nonprofit conservation organization since 1905, Audubon believes in a world in which people and wildlife thrive.

Audubon maximizes its conservation results by focusing on four areas critical for birds:

- Habitat Conservation: Audubon is focused on conserving a vast connected network of lands and waters ranging from Canada to Chile to provide passage and safe haven for migratory and resident birds.
- 2. **Climate:** Audubon is advancing climate change solutions that support birds including the swift and responsible deployment of renewable energy that accelerates decarbonization and advocating for natural systems that store carbon and create important bird habitat.
- 3. **Policy**: Audubon is working on policy across the hemisphere that advances and funds conservation and climate initiatives with solutions equal to the scale of the challenges birds and people face.
- 4. **Community Building**: Audubon is a growing and diverse community of millions of bird lovers, chapters, and members working seamlessly across the hemisphere, improving the world for birds and people.

**National Conservation Programs** focus and align Audubon's unparalleled community to meet today's unprecedented environmental challenges. National conservation provides strategy, expertise and leadership for Audubon's conservation work and ensures efforts are integrated for maximum effectiveness.

National programs include:

Conservation Leadership produces conservation strategies and leadership to address the needs of birds and the habitats they rely on across the Americas. National conservation leadership includes teams dedicated to advancing each of the key areas of work: Habitat Conservation, Climate, Policy, and Community Building. In addition, the conservation leadership oversees Audubon's network team, state, regional, and country programs, and science team. These programs are responsible for overseeing and coordinating the advancement of the conservation

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

strategies and priorities, working with chapters, centers and other partners. Audubon has created an integrated tool to track progress toward our conservation goals for our four areas of focus.

- Network increases the capacity, diversity, connectedness and effectiveness of the Audubon community by working with staff in state offices and centers, and our independent chapters to develop tools and programs that advance our shared conservation priorities. The goal is to bring Audubon's conservation mission to life in communities through creative and relevant local action that achieves lasting outcomes and builds durable public support for birds and conservation. Audubon conservation action centers are one of the principle elements of Audubon's network, reaching 1 million visitors annually.
- Science engages in research and analysis to support the development of our conservation strategies and build our authority as a science-led conservation leader. Science establishes common metrics to track progress across initiatives, including biological response of species, and acres of habitat restored, protected or managed, and also develops conservation blueprints prioritizing places for on-the-ground conservation. Science leads three programmatic areas: community science, including the annual Christmas Bird Count; climate science that characterizes the threat of climate and identifies the actions needed to address climate change for the benefit of birds and people; and the Migratory Bird Initiative that works to secure the future of migratory birds in the Western Hemisphere by reducing direct threats and protecting key places across the Americas in coordination with science, conservation and policy partners.
- Policy uses a nonpartisan approach to conservation advocacy that has earned a reputation as a
  trusted and influential voice. We combine diplomacy, advocacy, and communication to support
  large state and multi-state efforts such as: the conservation of large iconic ecosystems, like the
  Arctic Slope in Alaska, the wetlands of the Everglades, and the Mississippi River Delta; and
  safeguarding common sense laws like the Clean Air Act, Clean Water Act, Endangered Species
  Act and the Neotropical Migratory Bird Conservation Act.
- Marketing & Communications builds the size and effectiveness of Audubon's network of supporters and volunteers so that more people take action for birds and the environment. We reach supporters through a variety of channels including www.audubon.org, social media, email marketing, and Audubon magazine, which reaches approximately 1 million readers. Since April 2015, Audubon has owned and operated a digital app called the Audubon Bird Guide. The guide has been downloaded more than 1 million times, and advances Audubon's mission of educating people about birds.
- Equity, Diversity, Inclusion and Belonging (EDIB) Audubon seeks to embody EDIB throughout our organization to ensure alignment between internal culture, policies and programs and our conservation goals. As a strategic imperative, Audubon recognizes that the core of this alignment is an engaged and diverse staff who can set and work towards conservation goals that build a brighter future for birds and people. Audubon's equity, diversity, inclusion and belonging efforts seek to meaningfully engage with impacted communities through community engagement, leadership development and diverse partnerships with an aim of inspiring more people to work and conserve more habitats. Audubon is dedicated to providing a work environment that prioritizes equity, fairness and respect, and a workplace free of any kind of discrimination based on race, color, religion, sex, age, sexual orientation, gender identity and expression, disability, national or ethnic origin, politics or veteran status.

**National Audubon Society Action Fund** ("Audubon Action Fund") was established in July 2018 to build public demand for policy solutions that address the greatest conservation challenges for birds and people. It was organized under Section 501(c)(4) of the U.S. Internal Revenue Code ("IRC"), and receives support from individuals and other contributors (see Note 12). Audubon Action Fund works to amplify the work of

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Audubon, aiming to build bipartisan support for common-sense solutions to address today's greatest conservation threats.

The National Audubon Society Action Fund Political Action Committee ("Audubon Action Fund PAC") was established by Audubon Action Fund in May 2022 to facilitate political contributions by Audubon Action Fund's restricted class. Audubon Action Fund PAC will support candidates who prioritize common-sense solutions to the greatest conservation challenges facing birds, people, and the places we need. Since Audubon Action Fund PAC is not a separate legal entity, its assets and liabilities are included in these consolidated financial statements as part of Audubon Action Fund.

**State, Regional, and Country Programs** operate Audubon's 16 regional and state offices and programmatic work throughout Canada and Latin Americas. They combine local policy, science, technical expertise, capacity building tool, and on the ground conservation efforts to advance Audubon's hemispheric vision. These programs also connect the work of Audubon chapters, conservation action centers, volunteers, partners, and other supporters. Through this work, Audubon weaves a seamless web to achieve full lifecycle conservation throughout the Western Hemisphere for both migratory and non-migratory species. Integrated, shared conservation goals enhance our impact, and coordinated resources and expertise increases efficiency across the Americas.

**Fundraising** relates to activities in raising contributions, grants and planned-giving gifts for Audubon. Development expenses include fundraising staff efforts associated with raising contributed income to fund operations and capital projects. During the years ended June 30, 2023 and 2022, Audubon incurred joint costs of approximately \$13,798,000 and \$12,513,000, respectively, for informational material and activities that included development appeals. Of those costs, approximately \$7,082,000 and \$5,779,000 were allocated to fundraising and approximately \$6,716,000 and \$6,734,000 were allocated to programs for the years ended June 30, 2023 and 2022, respectively.

**Management and general** are those expenses that are not allocated to a program or fundraising activity and include certain activities of the Executive Office, as well as support areas such as Finance, Human Resources, Information Technology, and the Office of the General Counsel.

### Organizational Structure and Consolidation

The consolidated financial statements include the accounts of Audubon Action Fund. All intercompany accounts and transactions have been eliminated. In the fiscal years ended June 30, 2023 and 2022, Audubon Action Fund reported \$1,447,227 and \$1,053,350 of revenue, respectively (see Note 12).

The consolidated financial statements also include the accounts of Audubon's wholly owned subsidiaries: Audubon Society of Coastal Connecticut, Inc., National Audubon Society of Sharon, Inc., Lincoln Audubon Society, and The National Audubon Society of Greenwich, Inc. (collectively, the "Subsidiaries"). The Subsidiaries hold land for the benefit and use of Audubon, and conduct no other business. The Subsidiaries had no revenue or expense for the fiscal years ended June 30, 2023 and 2022.

### Chapters

Audubon has more than 450 independent chapters throughout the United States. The consolidated financial statements do not include the assets, liabilities, net assets, revenues and expenses of Audubon's chapters since such chapters are independent organizations.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES BASIS OF ACCOUNTING

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Audubon's resources are classified and reported based upon the existence or absence of donor-imposed restrictions, as follows:

**Without Donor Restrictions** - net assets that are not subject to donor-imposed restrictions and, therefore, are available to meet Audubon's objectives. Net assets without donor restrictions may also be designated for specific purposes by the Audubon's Board of Directors (Note 3) or otherwise limited by contractual agreements with outside parties.

**With Donor Restrictions** - net assets that are subject to donor-imposed restrictions that either expire with the passage of time or, can be fulfilled and removed by the actions of Audubon pursuant to those restrictions, or which may be perpetual (Note 3).

### Cash and Cash Equivalents

Audubon considers all cash not intended for investment purposes and all non-pooled investments purchased with original maturities of 90 days or less to be cash equivalents.

#### Investments

The estimated fair value of investments is based on quoted market prices, except for certain investments, principally limited partnerships and similar interests, for which quoted market prices are not available. The estimated fair value of limited partnerships and similar investments is based on valuations provided by external investment managers as of the measurement date. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material to the consolidated financial statements.

Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the reported amounts in the consolidated financial statements.

Audubon manages its investments on a total return basis and has established budgeted spending limits for specific endowment funds of 2.0% to 4.5% of the average of the rolling five year-end market values, subject to limitations where applicable under donor restrictions or regulatory requirements. In September 2023, it was decided to use a budgeted spending of 5% for all funds, subject to donor or other restrictions where applicable, for fiscal year 2025.

### Prepaid Expenses and Other Assets

Prepaid expenses and other assets include inventories of retail store merchandise of approximately \$297,000 and \$285,000 as of June 30, 2023 and 2022, respectively, which are valued at the lower of cost or market, on a first-in, first-out basis.

### Charitable Trust Agreements

Audubon is the beneficiary of charitable trust agreements under varying terms and conditions. Audubon's interest in charitable remainder trusts, charitable remainder unitrusts, and other charitable trusts held by third-party trustees is reported at present value reflecting the fair value of the amounts Audubon expects to receive using discount rates ranging from 1.20% to 11.20% for both fiscal years 2023 and 2022.

The discount rates used to value the charitable gift annuity agreements and the pooled-life income fund ranged from 1.20% to 10.60% for both fiscal years 2023 and 2022.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

#### Leases

Audubon adopted ASU 2016-02, *Leases (Topic 842)* ("ASC 842") as of July 1, 2022 using the current period adjustment method which impacted Audubon's financial condition, but did not have a material impact on the consolidated financial statements. After the adoption of this standard, Audubon determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether Audubon controls the use of the identified asset throughout the period of use.

Audubon classifies leases as either financing or operating. Right-of-use ("ROU") assets are recognized at the lease commencement date and represent Audubon's right to use an underlying asset for the lease term and lease liabilities represent Audubon's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments are discounted based on the risk-free rate. Expenses related to leases determined to be operating leases are recognized on a straight-line basis, while those determined to be finance leases are recognized following a front-loaded expense pattern in which interest and amortization are presented separately in the income statement.

Audubon assesses whether a lease is classified as an operating lease or a finance lease at lease commencement.

Audubon's assets are initially measured based on the corresponding lease liability adjusted for (i) payments made to the lessor at or before the commencement date, (ii) initial direct costs incurred and (iii) lease incentives under the lease. Options to renew or terminate the lease are recognized as part of our ROU assets and lease liabilities when it is reasonably certain the options will be exercised. ROU assets are also assessed for impairments consistent with the long-lived asset guidance.

Audubon does not allocate consideration between lease and non-lease components, such as operating costs, as Audubon has elected to not separate lease and non-lease components for any leases within its existing classes of assets. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Variable lease payments for usage-based fees are not included in the measurement of the ROU assets or lease liabilities and are expensed as incurred.

Operating leases are presented separately as right-of-use operating lease assets and operating lease liabilities in the accompanying consolidated statement of financial position. Finance leases are presented separately as right-of-use finance lease assets and finance lease liabilities in the accompanying consolidated statement of financial position.

Prior to the adoption of ASC 842, Audubon recognized rent expense on a straight-line basis over the term of the lease. The difference between cash rent payments and the recognition of rent expense was recorded as a deferred rent liability on the consolidated statements of financial position. Upon adoption of ASC 842 the difference between cash rent payments and recognition of rent expense is recorded as a reduction to the right-of-use asset.

### **Buildings and Equipment**

In 1978, Audubon adopted the policy of capitalizing, depreciating and amortizing buildings and equipment. Because historical costs were not available for buildings and artworks, other basis were used to establish the initial carrying values of such property. Property tax appraisals adjusted to market and insurance appraisals were used to value buildings, and appraised net current retail values were used for the art collection. Assets acquired subsequent to July 1, 1978 have been recorded at cost. Depreciation of buildings and equipment is provided over the estimated useful lives of the assets on a straight-line basis.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Leasehold improvements are amortized over the lesser of the related useful life of the asset or the lease term. Artwork is not depreciated. Audubon capitalizes property with a cost of \$5,000 or more and a useful life of greater than one year. Average estimated useful lives are as follows:

	Estimated
	Useful Lives
Buildings and building improvements	10 - 40 years
Equipment	3 - 10 years
Land improvements	10 - 40 years
Leasehold improvements	5 - 40 years

### Land

Land consists of approximately 105,969 acres on which some of Audubon's nature centers, state offices, and sanctuaries are located. Land is valued at cost when purchased or, if donated, at fair value on the date of donation.

### Contributions and Grants of Financial Assets

Contribution revenue is recognized when a contribution becomes unconditional, that is, when the conditions on which they depend are substantially met. Grants are evaluated as to whether they qualify as exchange transactions or contributions. If a contract or grant agreement contains a right of return or right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to be overcome, Audubon accounts for such transactions as conditional contract and grants and recognizes revenue when the related barrier to entitlement has been overcome.

Audubon reports gifts of cash and other assets as an increase in net assets with donor restrictions if they are received with donor stipulations limiting the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts and grants with donor restrictions, received and utilized in the same year, are reflected in the consolidated statements of activities as net assets without donor restrictions. Bequests are recognized as revenue once the probate process is complete and amounts are determined to be uncontested.

Gifts of long-lived assets and gifts of cash or other assets that must be used to acquire long-lived assets are reported as an increase in net assets with donor restrictions and are released once placed in service.

#### Contributions of Nonfinancial Assets

Audubon receives gifts of nonfinancial assets in the form of donated goods, services and land. Such gifts are recognized at their estimated fair value based upon independent appraisals or similar valuations at the date of donation. Donated services are evaluated to determine if they meet the criteria for recognition in the consolidated financial statements. Audubon does not monetize such assets.

A number of volunteers donate substantial amounts of time to Audubon's program services. The value of this contributed time does not meet the criteria for recognition as contributed services in accordance with U.S. GAAP and, accordingly, is not reflected in the accompanying consolidated financial statements.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

#### Earned Income

Earned income includes advertising revenue, tuition and admission revenue, retail sales and program revenue. Revenue is recorded when earned under the terms of the related agreements.

#### Receivables

Receivables are recorded at net realizable value (using credit adjusted discount rates for receivables expected to be collected in more than one year). Receivables are stated net of an allowance for uncollectible amounts of approximately \$4,188,000 and \$2,530,000 as of June 30, 2023 and 2022, respectively. Such estimated allowances are based on management's assessment of the credit worthiness of its donors, the aged basis of the receivables, and historical information. Receivables are written-off in the period they are deemed uncollectible and payments subsequently received are recorded as income in the period received.

Other receivables include grant receivables and receivables due from other organizations.

### Funds Held for Others

As of June 30, 2023 and 2022, funds held for others included approximately \$7,313,000 and \$4,716,000, respectively, in agency funds held for other organizations and independent Audubon chapters. Such amounts are included in investments and funds held for others in the accompanying consolidated statements of financial position.

### Fair Value Measurements

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") Topic 820, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities, subject to the standard, measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 Securities that have little to no observable pricing. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Audubon's perceived risk of that instrument. As permitted by U.S. GAAP, Audubon has excluded investments that are measured at fair value using the net asset value ("NAV") per share, as a practical expedient, from the fair value hierarchy.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

In determining fair value, Audubon utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

#### Income Taxes

National Audubon Society, Inc. is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. Audubon Action Fund is organized under IRC section 501(c)(4).

Audubon follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

Audubon has calculated an income tax provision that is immaterial for consolidated financial statement purposes. Audubon has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Audubon has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

### Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Operating Measure

Operating revenues and expenses reflect the activities in which Audubon typically engages to fulfill its mission. Audubon utilizes a spending rate in making its annual investment allocation for support of operations. Investment return, including net realized and unrealized gains and losses, earned in excess of or less than Audubon's spending rate is reported within non-operating activities. Charitable trust contributions, the change in value of charitable trusts, pension and post-retirement related expenses other than net periodic pension costs and other transactions that are non-recurring and unusual in nature are recorded below the operating indicator on the accompanying consolidated statements of activities.

### Allocation of Functional Expenses

The costs associated with conducting Audubon's programs and activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on occupancy, headcount or estimated time spent.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

#### **Concentrations**

Cash, cash equivalents, and investments are exposed to interest rate, market, and credit risks. Audubon maintains its cash and cash equivalents in various bank deposit accounts that may exceed federally insured limits at times. To minimize risk, Audubon places its cash accounts with high credit quality financial institutions. Audubon does not anticipate any losses in such accounts.

Investment concentrations are disclosed in Note 5 to the accompanying consolidated financial statements.

### Subsequent Events

Audubon has evaluated, for potential recognition and disclosure, events subsequent to the consolidated statement of financial position date of June 30, 2023 through November 20, 2023, the date the consolidated financial statements were available to be issued. Audubon is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.

### **New Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard requires the recognition of a right-of-use asset and lease liability on the statement of financial position for substantially all leases. The standard retained a dual model for lease classification, requiring leases to be classified as finance or operating lease to determine recognition in the statement of operations and cash flows. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases, Targeted Improvements*, which provided entities with a transition method option to not restate comparative periods presented, but to recognize a cumulative effect adjustment to beginning retained earnings in the period of adoption. Audubon elected the modified retrospective transition method and did not restate prior comparative periods. The standards also provide additional transition relief, of which Audubon has elected to (1) not reassess whether any expired or existing contracts are or contain leases, (2) retain the classification of leases (e.g., operating or finance lease) existing as of the date of adoption, (3) not reassess initial direct costs for any existing leases, and (4) not utilize hindsight when assessing lease term and ROU asset impairment. The standards require more detailed disclosures to enable users of financial statements to understand the amount, timing and uncertainty of cash flows arising from leases. The guidance is effective for nonpublic companies beginning after December 15, 2021. Audubon adopted this standard in fiscal year 2023.

### Reclassifications

Certain reclassifications were made to the fiscal 2022 consolidated financial statements in order to conform to the fiscal 2023 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets, as reflected in the fiscal 2022 consolidated financial statements.

### **NOTE 3 - NET ASSETS**

The New York Prudent Management of Institutional Funds Act ("NYPMIFA") was enacted in 2010. Audubon has interpreted NYPMIFA as requiring the preservation of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Audubon classifies as net assets with donor restrictions (a) the original value of the 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 required to be held in perpetuity is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Audubon in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### June 30, 2023 and 2022

with NYPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of Audubon and the donor-restricted endowment fund;
- General economic conditions;
- The possible effects of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of Audubon;
- The investment policies of Audubon; and
- Where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on Audubon.

Audubon's endowment investment policy is based on a study of its assets and liabilities. The risk tolerance of the portfolio is directly related to Audubon's overall finances and its restricted and endowment funds. Investments are allocated across capital markets beginning with a careful review of the world capital market allocation and are adjusted to reflect Audubon's unique circumstances with a controlled opportunistic overlay. The portfolio's investment strategy combines both passive and active investment solutions, the selection of which is governed by rules elaborated in Audubon's Statement of Investment Policy. Audubon relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Annual spending from the endowment funds is described in Note 2.

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 NYPMIFA requires Audubon to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature, if they occurred, are reported in net assets with donor restrictions. As of June 30, 2023 and 2022, there were no donor-endowment funds whose fair value was below the original gift amount.

Changes in endowment net assets, excluding land to be held in perpetuity of approximately \$10,250,000 and \$10,295,000 for the years ended June 30, 2023 and 2022, respectively, were as follows:

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Endowment and quasi-endowment funds consisted of the following at June 30, 2023 and 2022:

		ithout Donor Restrictions	With Donor Restrictions	Total
Fiscal year 2023:				
Donor restricted	\$	-	\$ 167,746,764	\$ 167,746,764
Board designated		30,978,463	 -	30,978,463
Total	\$	30,978,463	\$ 167,746,764	\$ 198,725,227
		ithout Donor Restrictions	With Donor Restrictions	Total
Fiscal year 2022:		tootholiono	 COCHIOCIONO	 10141
Donor restricted	\$	-	\$ 160,411,564	\$ 160,411,564
Board designated		30,235,612	 	 30,235,612
Total	\$	30,235,612	\$ 160,411,564	\$ 190,647,176
			2023	
		Without Donor	With Donor	
		Restriction	 Restriction	 Total
Endowment net assets, beginning of year	\$	30,235,612	\$ 160,411,564	\$ 190,647,176
Investment return, net		2,377,791	11,778,891	14,156,682
Amounts appropriated for expenditure		(1,634,940)	(5,419,068)	(7,054,008)
Contributions to endowments		-	153,879	153,879
Bequests		-	721,498	721,498
Transfers in		-	 100,000	 100,000
Endowment net assets, end of year	\$	30,978,463	\$ 167,746,764	\$ 198,725,227
			2022	
		Without Donor	With Donor	
	_	Restriction	 Restriction	 Total
Endowment net assets, beginning of year	\$	35,441,027	\$ 186,699,640	\$ 222,140,667
Investment return, net		(3,576,883)	(22,175,335)	(25,752,218)
Amounts appropriated for expenditure		(1,628,532)	(4,715,304)	(6,343,836)
Contributions to endowments		-	137,825	137,825
Bequests		-	164,738	164,738
Transfers in	_	-	 300,000	 300,000
Endowment net assets, end of year	\$	30,235,612	\$ 160,411,564	\$ 190,647,176

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### June 30, 2023 and 2022

Endowment net assets of \$198,725,227 and \$190,647,176 as of June 30, 2023 and 2022, respectively, are included within the investments and beneficial interest in charitable trusts in the accompanying consolidated statements of financial position.

Net assets with donor restriction as of June 30, 2023 and 2022 are available as shown below:

		2023		2022
Net assets with donor restriction				
Purpose restrictions				
Field conservation programs	\$	251,809,612	\$	235,242,624
National conservation programs		25,071,217		21,677,858
Time restrictions		28,341,826		26,441,410
Total net assets with donor restriction	\$	305,222,655	\$	283,361,892
Net assets released from donor restrictions during the years ended of donor time and use restrictions as follows:	Jui	ne 30, 2023 and	2022	2 in satisfaction
		2023		2022
Program restrictions				
Field conservation programs	\$	27,243,035	\$	29,965,447
National conservation programs	Ψ	2,389,186	Ψ	1,721,000
radonal consolitation programs		2,000,100		1,721,000
	\$	29,632,221	\$	31,686,447
NOTE 4 - RECEIVABLES				
Receivables consist of the following as of June 30, 2023 and 2022:				
		2023		2022
Unconditional pledges receivable				
Less than one year	\$	16,978,418	\$	14,664,177
One year to five years		13,578,831		8,986,657
		30,557,249		23,650,834
Less: Allowance for uncollectible pledges				
At June 30, 2023 and 2022 pledges were				
discounted at 2.5 - 5.37%		(3,800,527)		(2,128,991)
Total pledges receivable, net		26,756,722		21,521,843
Other receivables (net of allowance of \$400,555				
at June 30, 2023 and 2022)		13,560,156		16,465,399
	\$	40,316,878	\$	37,987,242

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Audubon received new conditional pledges of approximately \$502,000 and \$2,324,000 during the years ended June 30, 2023 and 2022, respectively. Audubon has recorded revenue of approximately \$2,696,000 and \$50,000 for the years ended June 30, 2023 and 2022, respectively, the extent to which the conditions on the pledges have been met. As of June 30, 2023 and 2022, Audubon had conditional pledges outstanding of approximately \$102,000 and \$2,296,000, respectively. Pledge payments due over the ensuing one to two years are conditional based on progress and reporting satisfactory to the donor.

### **NOTE 5 - INVESTMENTS**

Audubon's investments consisted of the following as of June 30, 2023 and 2022:

	 2023	2022
Cash and cash equivalents	\$ 17,287,169	\$ 23,712,587
Equities	113,164,255	93,922,966
Fixed income	34,779,800	27,201,232
Real assets and commodities	13,627	13,756
Equities - international	16,261,310	21,460,840
Equities - emerging markets	495,878	466,388
Common trust funds	9,613,549	8,602,132
Fixed income - long/short	124,249	554,155
Fixed income - private	6,337,192	6,581,129
Real assets - private	5,958,392	5,171,749
Private equity	 69,037,091	 60,991,227
	\$ 273,072,512	\$ 248,678,161

As of June 30, 2023 and 2022, concentrations of Audubon's investments in excess of 10% of the fair value of its portfolio included approximately 12% and 10%, respectively, invested in the METIS US CLIMATE ALIGNED INDEX PORTFOLIO.

Investments are subject to market volatility that could change their carrying values substantially in the near term.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Assets and liabilities measured at fair value at June 30, 2023 and 2022 are classified in the tables below in one of the two levels as follows:

		2023	
	Level 1	Level 3	Total
Assets carried at fair value	 _		 
Investments			
Equities	\$ 11,759,559	\$ -	\$ 11,759,559
Fixed income	34,779,800		34,779,800
Real assets and commodities	13,627		13,627
Equities - international	4,880,596		4,880,596
Equities - emerging markets	 495,878	 	 495,878
	54 000 400		54 000 400
	 51,929,460	 	 51,929,460
Cash and cash equivalents	-	-	17,287,169
Investments measured at NAV	 <u>-</u>	 	 203,855,883
Total investments	-	-	273,072,512
Beneficial interest in charitable trusts		 39,054,598	 39,054,598
Total assets at fair value	\$ 51,929,460	\$ 39,054,598	\$ 312,127,110
Liabilities at fair value			
Obligations under charitable trusts	\$ 	\$ 7,702,319	\$ 7,702,319
Total liabilities at fair value	\$ _	\$ 7,702,319	\$ 7,702,319

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

## June 30, 2023 and 2022

	Level 1	Level 3	Total	
Assets carried at fair value	_	_	 	
Investments				
Equities	\$ 18,640,446	\$ -	\$ 18,640,446	
Fixed income	27,201,232	-	27,201,232	
Real assets and commodities	13,756	-	13,756	
Equities - international	13,960,840	-	13,960,840	
Equities - emerging markets	 466,388	 	 466,388	
	 60,282,662		 60,282,662	
Cash and cash equivalents	-	-	23,712,586	
Investments measured at NAV	-	-	157,182,912	
Investments receivable	 	 <u>-</u>	 7,500,000	
Total investments	-	-	248,678,160	
Beneficial interest in charitable trusts		37,060,292	37,060,292	
Total assets at fair value	\$ 60,282,662	\$ 37,060,292	\$ 285,738,452	
Liabilities at fair value				
Obligations under charitable trusts	\$ 	\$ 7,868,900	\$ 7,868,900	
Total liabilities at fair value	\$ -	\$ 7,868,900	\$ 7,868,900	

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

The following tables list investments valued at NAV as of June 30, 2023 and 2022:

				2023	
Name/Type	NAV of Funds	Remaining Life	Unfunded Commitments (\$)	Redemption Terms	Redemption Restrictions
Equities	\$ 112,785,410	N/A	\$ -	Weekly/Monthly with 10 days notice One fund every 3 years on anniversary of purchase.	N/A Liquidity of 10% available in years 1 & 2 and 7.5% in year 3. Remainder available at the end of the lock-up period
				One fund monthly on the last business day	Each withdrawal request must be in the minimum amount of \$100,000
				One fund monthly with 4 days notice	One year hard lock-up with a 25% Monthly gate
				One fund daily	N/A
				One fund quarterly with 90 days notice	One year hard lock-up and 2 year soft lock-up with a 25% gate
				At least 45 Calendar days' notice	No more than 25% of the Limited Partner's Capital Account
Fixed Income - Private	6,337,192	4 Years	670,630	Illiquid	Not permitted to withdraw.
Common Trust Funds	9,613,549	N/A	N/A	Daily/Monthly	N/A
Fixed Income - Long/Short	124,249	N/A	N/A	Semi-annually with 90 days notice	N/A
Real Assets - Private	5,958,392	3 - 9 Years	3,081,481	Illiquid	Not permitted to withdraw
Private Equity	35,717,961	N/A	-	Monthly; Quarterly; Illiquid	N/A; 10-25% investor-level gate; Not Permitted to Withdraw
Private Equity and Venture Capital	33,319,130	0, 5 - 12 Years	25,072,370	Illiquid	Not permitted to withdraw
	\$ 203,855,883	-	\$ 28,824,481		

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### June 30, 2023 and 2022

			2022	!	
Name/Type	NAV of Funds	Remaining Life	Unfunded Commitments (\$)	Redemption Terms	Redemption Restrictions
Equities	\$ 75,282,520	N∕A	\$ -	One fund weekly with 10 days notice  One fund every 3 years on anniversary of purchase. One fund monthly on the last business day  One fund monthly with 4 days notice One fund at least 45 Calendar days' notice	N/A  Liquidity of 10% available in years 1 & 2 and 7.5% in year 3. Remainder available at the end of the lock-up period  Each withdrawal request must be in the minimum amount of \$100,000  One year hard lock-up with a 25% Monthly gate No more than 25% of the Limited Partner's Capital Account
Fixed Income - Private	6,581,129	4 Years	670,630	Illiquid	Not permitted to withdraw.
Common Trust Funds	8,602,132	N/A	N/A	Daily/Monthly	N/A
Fixed Income - Long/Short	554,155	N/A	N/A	Semi-annually with 90 days notice	N/A
Real Assets - Private	5,171,749	4-10 Years	4,062,954	Illiquid	Not permitted to withdraw
Private Equity	34,664,719	N/A	-	Monthly; Quarterly; Illiquid	N/A; 10-25% investor-level gate; Not Permitted to Withdraw
Private Equity and Venture Capital	26,326,508	0, 6-9, 9-11, 12 Years	15,805,388	Illiquid	Not permitted to withdraw
	\$ 157,182,912	-	\$ 20,538,972		

For the year ended June 30, 2023 and 2022, respectively, Audubon had further committed to \$1 million and \$6.3 million in investments, respectively, but there had been no capital calls on those investments at June 30, 2023 and 2022, and therefore are not included in the respective tables above.

### **NOTE 6 - LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment consisted of the following at June 30, 2023 and 2022:

	2023	2022
Buildings and building improvements	\$ 54,312,842	\$ 53,078,931
Equipment	13,540,819	13,058,984
Leasehold improvements	23,354,344	23,079,862
Construction in progress (Note 9)	6,902,299	4,725,375
Artwork	476,053	425,753
Less: accumulated depreciation and amortization	98,586,357 (54,328,741)	94,368,905 (52,325,197)
Buildings and equipment, net	\$ 44,257,616	\$ 42,043,708
Land	\$ 103,052,509	\$ 102,624,197

Included in net assets with donor restrictions is land to be held in perpetuity of approximately \$10,250,000 and \$10,295,000 as of June 30, 2023 and 2022, respectively (see Note 3). Included in net assets without

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

donor restrictions is land of approximately \$92,802,000 and \$92,329,000 as of June 30, 2023 and 2022, respectively. A significant portion of the land included in net assets without donor restrictions is subject to legally binding contractual restrictions on use and/or disposition. Land purchased or donated to Audubon during the years ended June 30, 2023 and 2022 totaled approximately \$107,000 and \$0, respectively. Out of the \$107,000, all of it was for land purchases, and there were no land donations.

### **NOTE 7 - GIFTS OF NONFINANCIAL ASSETS**

For the years ended June 30, 2023 and 2022, Audubon received gifts of nonfinancial assets of approximately \$4,859,452 and \$4,905,353, respectively.

Included in gifts of nonfinancial assets for 2023 is approximately \$4.8 million of donated services, in the form of technology licenses, which provide a platform for Audubon to create, analyze, and map geospatial data, including for use by Audubon's landmark app, the Bird Migration Explorer. The licenses were valued based on quoted prices from the provider. \$4.8 million was recognized in the Statement of Activities and was utilized in programmatic activities. The remaining approximate \$22,000 is comprised of various donated goods and services primarily used in program work. There were no donor-imposed restrictions associated with the contributed nonfinancial assets in both years.

### **NOTE 8 - LEASES, COMMITMENTS AND CONTINGENCIES**

On July 1, 2022, Audubon recorded \$11,393,428 in operating lease ROU assets, \$14,941,946 in operating lease liabilities. The adoption of ASC 842 had no significant impact on Audubon's change in net assets. Audubon adjusted the opening operating ROU asset balance based on its remaining deferred rent liabilities, which totaled \$3,552,678 at July 1, 2022.

The components of lease cost for the year ended June 30, 2023 are as follows:

Operating lease costs	\$	3,362,393
Finance lease costs		
Amortization of right-of-use assets		58,552
Interest on lease liabilities		4,649
Variable lease costs		305,808
Short-term lease costs		635,828
Total	\$	4,367,230
Supplemental cash flow information related to leases during 2023 was as follows:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	2,570,246
Operating cash flows from finance leases	•	4,649
Financing cash flows from finance leases		55,923
		ŕ
Supplemental disclosure of noncash leasing activities:		
ROU obtained in exchange for new operating lease liabilities, at adoption	\$	17,992,751
ROU obtained in exchange for new finance lease liabilities, at adoption		384,630

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### June 30, 2023 and 2022

The following table represents the weighted-average remaining lease term and discount rate as of June 30, 2023:

	Operating Leases	Finance Leases
Weighted average remaining lease term (years)	5.84	2.9
Weighted average discount rate	2.88%	2.86%

Future undiscounted lease payments for Audubon's operating and finance lease liabilities are as follows as of June 30, 2023:

	 Operating Leases	Finance Leases	
2024 2025 2026 2027 2028 Thereafter	\$ 3,572,903 3,235,669 3,041,148 3,024,719 1,497,244 3,045,020	\$ 125,592 125,378 69,688 13,407 8,076	
Total future lease payments	17,416,703	342,149	
Less: imputed interest	 (1,502,655)	 (13,443)	
Present value of lease liabilities	\$ 15,914,048	\$ 328,706	

As of June 30, 2023 and 2022, Audubon substituted a standby letter of credit in the amount of \$273,211 in lieu of a security deposit for its office lease. As required by Audubon's bank, a certificate of deposit with a balance of \$274,071 as of June 30, 2023 and \$274,060 as of June 30, 2022, is included in prepaid expenses and other assets in the accompanying consolidated statements of financial position and secures this letter of credit.

Audubon is in the process of developing and improving several nature centers, which are in various stages of completion. As of June 30, 2023 and 2022, Audubon had remaining commitments on construction and related agreements amounting to approximately \$3,622,000 and \$2,845,000, respectively.

Audubon is invested in several limited partnerships under which Audubon is committed to make capital contributions in future periods totaling \$28,824,481 and \$20,538,972 as of June 30, 2023 and 2022, respectively.

Audubon is a defendant in various lawsuits. Audubon is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on Audubon's consolidated financial position, changes in net assets or cash flows.

Audubon receives significant federal grants which are subject to audit by federal agencies. Audubon is of the opinion that disallowances, if any, would not have a significant effect on Audubon's consolidated financial position, changes in net assets or cash flows.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

### NOTE 9 - PENSION AND OTHER RETIREMENT BENEFIT PLANS

### 403(b) Plan

Audubon maintains a defined contribution retirement plan under Section 403(b) of the IRC, in which all employees, as defined, are eligible to participate. Participants may make voluntary contributions, subject to plan limitations. Effective July 1, 2010, Audubon changed its contribution to provide all eligible employees with a 4% contribution of eligible compensation subject to plan limitations and an additional matching contribution up to another 4% of eligible compensation subject to plan limitations. Effective January 1, 2014, the vesting rules for employee contributions, both nonelective and matching, changed from being immediately vested to a three-year graded schedule. For the years ended June 30, 2023 and 2022, Audubon contributed approximately \$4,115,000 and \$3,337,000, respectively, to this retirement plan.

### 457(b) Plan

Audubon maintains a deferred compensation plan to provide certain employees with the benefit of additional tax-deferred retirement savings opportunities. The annual 457(b) deferral limitation for calendar years 2023 and 2022 was \$22,500 and \$20,500, respectively. This plan is entirely funded by employee salary deferrals. Plan assets and liabilities pertaining to the 457(b) plan are \$1.7 million and \$1.5 million as of June 30, 2023 and 2022, respectively, which are immaterial to the accompanying consolidated financial statements, and have not been recognized on Audubon's Statement of Financial Position.

### Cash Balance Pension Plan

Effective January 1, 1998, Audubon changed its noncontributory, defined benefit trustee administered retirement plan (the "Prior Plan"), to a hybrid Cash Balance Pension Plan. All employees who were vested at the time of the change will receive the greater of the Prior Plan benefit or the cash balance benefit upon termination or retirement.

The Cash Balance Pension Plan (the "Cash Balance Plan") is a defined benefit pension plan covering substantially all employees of Audubon who were employed prior to June 30, 2010. Individuals who met the applicable age and service requirements while they were Audubon employees are entitled to vested pension benefits under the Cash Balance Plan. All employees hired before October 1, 2004 are always 100% vested in their benefits. Employees hired on or after October 1, 2004 become fully vested after completing three years of service with Audubon. Participants who were active as of January 1, 2000 and who had five years of service at December 31, 1997 were grandfathered and receive a benefit based on a final average pay formula. Plan participants at January 1, 1998 who were not grandfathered had an opening balance established based on their accrued benefit at December 31, 1997. For the period between December 31, 1997 and June 30, 2010, the participant account was credited with an amount equal to 3% (4% for the 2000 plan year) of the participant's eligible earnings. In addition, interest is credited each year using the applicable interest rate, determined each January 1, based on short-term interest rates in effect at the end of the prior year. Benefits generally are available to employees upon retirement. The plan was frozen effective June 30, 2010. After that date, no new participants were accepted into the plan. Compensation paid after June 30, 2010, is disregarded, but participants continue to accrue interest credits.

In December 2018, Audubon offered its former employees who have not yet reached retirement age either an early annuity or a lump-sum payout. No participant selected an early annuity; 82 opted for lump-sum payouts. The total payouts exceeded the sum of the plan's service cost and interest cost, resulting in a settlement charge.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

In April 2020, Audubon entered into a single premium group annuity contract with Principal Life Insurance Company (the "Insurer"), whereby Audubon transferred 108 retiree annuities to the Insurer for approximately \$14.6 million. The Insurer commenced issuing payments on July 1, 2020. The retiree annuity purchase and total lump-sum payouts during the fiscal year exceeded the sum of the plan's service cost and interest cost, resulting in a settlement charge.

In January 2021, the Cash Balance Plan was amended (1) to allow in-service distributions for staff who are still Audubon employees once they have reached age 59.5 years, (2) allow any participants who have left Audubon to claim a lump sum or begin an annuity at any time, rather than waiting until retirement age, and (3) provide guidance to planned actuaries and administrators for participants who cannot be located.

#### Retiree Medical and Life Plan

Audubon also maintains an unfunded group medical and life insurance plan. The medical plan is the primary provider of benefits up to age 65; after the age of 65, Medicare becomes the primary provider. In connection with this change, a new prior service credit base of \$1,448,781 was established at June 30, 2010 to account for the decrease in benefit obligation due to this plan change. The recognition of the prior service credit is spread over the average remaining years of service of the participants remaining in the plan. Employees who separated from service after February 1, 2007 are no longer eligible for retiree life insurance coverage.

In January 2020, the plan was amended to limit eligibility to full-time employees who by December 31, 2020 are: (1) at least 60 years of age; (2) have attained 10 years of service; and (3) are enrolled in Audubon's medical coverage at the time of their retirement. Thereafter, the retiree medical plan is closed to new participants.

The effect of the plan amendment is reflected in the table below and has been included in the change to net assets without donor restrictions.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

The following table sets forth the plan's funded status and benefit obligation at June 30, 2023 and 2022:

		20	23		2022				
		Cash		Retiree		Cash		Retiree	
		Balance	M	edical and		Balance	Medical and		
	Plan			Life Plan		Plan	Life Plan		
Change in benefit obligation									
Benefit obligation-beginning of year	\$	10,391,436	\$	163,503	\$	12,176,231	\$	215,892	
Service cost		-		-		-		-	
Interest cost		437,850		1,505		299,434		1,663	
Participant contributions and									
retiree drug subsidy		-		109,997		-		78,089	
Actuarial gain		(387,105)		(26,542)		(1,479,019)		(13,518)	
Benefits paid and expenses		(511,274)		(158,313)		(605,210)		(118,623)	
Settlements									
Benefit obligation - end of year		9,930,907		90,150		10,391,436		163,503	
Change in plan assets									
Fair value of plan assets - beginning of year		10,347,596		-		11,935,999		-	
Actual return		295,707		-		(1,483,193)		-	
Employer contributions		-		48,316		500,000		40,534	
Participant contributions and									
retiree drug subsidy		-		109,997		-		78,089	
Benefits paid		(511,274)		(158,313)		(605,210)		(118,623)	
Settlements		-						<u>-</u>	
Fair value of plan assets - end of year		10,132,029				10,347,596			
Funded status	\$	201,122	\$	(90,150)	\$	(43,840)	\$	(163,503)	
Accumulated benefit obligation	\$	9,930,907	\$	90,150	\$	10,391,436	\$	163,503	

Amounts recognized as a liability in the accompanying consolidated statements of financial position consisted of the following as of June 30, 2023 and 2022:

				2023			
	Cash			Retiree			
	Balance			edical and			
	Plan			ife Plan	Total		
(Pension funded status)/pension plan obligation	\$	(201,122)	\$	90,150	\$	(110,972)	
plan obligation	Ψ	(201, 122)	Ψ	90, 130	Ψ	(110,972)	
				2022			
		Cash		Retiree			
		Balance	М	edical and			
		Plan		Life Plan		Total	
(Pension funded status)/pension	•	40.040	•	400 500	•	227.242	
plan obligation	\$	43,840	\$	163,503	\$	207,343	

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

The following table provides the components of net periodic benefit cost for the plans for the years ended June 30, 2023 and 2022:

	2023					2022			
	Cash Balance Plan		Me	Retiree edical and		Cash Balance	Me	Retiree edical and	
				_ife Plan		Plan	Life Plan		
Service cost	\$	11,704	\$	_	\$	153,663	\$	_	
Interest cost		437,850		1,505		299,434		1,663	
Expected return on plan assets		(329,744)		-		(309,600)		-	
Amortization of prior service credit		-		-		-		-	
Amortization of net loss/(gain)		208,647		(257,919)		167,473		(438, 323)	
Curtailment gain				<u>-</u>		<u>-</u>			
Net periodic benefit cost									
(credit)	\$	328,457	\$	(256,414)	\$	310,970	\$	(436,660)	

The components of the unfunded liability as of June 30, 2023 and 2022 but not yet reflected in net periodic benefit cost consisted of the following:

		20	23		2022				
	Cash			Retiree		Cash	Retiree		
		Balance	М	edical and		Balance	Medical and		
	Plan		Life Plan		Plan		Life Plan		
Prior service credit	\$	(1,383,770)	\$	_	\$	-	\$	_	
Accumulated (loss)/gain				391,082		(1,957,189)		622,459	
Amounts recognized in net assets without donor restrictions Cumulative employer contributions in		(1,383,770)		391,082		(1,957,189)		622,459	
excess of net periodic benefit cost		1,584,892		(481,232)		1,913,349		(785,962)	
Net amount recognized in the consolidated statement of									
financial position	\$	201,122	\$	(90,150)	\$	(43,840)	\$	(163,503)	

For the years ended June 30, 2023 and 2022, Audubon recognized pension and postretirement related changes other than net periodic benefit (costs) of \$342,042 and \$(417,443), respectively. Such amounts represent the change in the amounts reflected in net assets without donor restrictions for the years ended June 30, 2023 and 2022 and consist of \$573,419 and \$7,362 for the Cash Balance Plan, respectively, and \$(231,377) and \$(424,805), respectively, for the Retiree Medical and Life plan.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the years ended June 30, 2023 and 2022 are as follows:

		20	23		2022				
	Cash		Retiree		Cash		Retiree		
		Balance	M	edical and		Balance	Medical and		
		Plan		Life Plan		Plan		Life Plan	
Net (gain)/loss arising during period Amortization of prior service credit Amortization of actuarial loss Effect of settlement/curtailment	\$	(364,772) - (208,647)	\$	(26,542) 257,919 -	\$	160,111 - (167,473)	\$	(13,518) 438,323 - -	
Change in net assets without donor restrictions	\$	(573,419)	\$	231,377	\$	(7,362)	\$	424,805	
Total recognized in net periodic benefit cost and net assets without donor restrictions	\$	(244,962)	\$	(25,037)	\$	303,608	\$	(11,855)	

The estimated actuarial loss for the Cash Balance Pension Plan that will be amortized from the net asset without donor restrictions balance into net periodic benefit cost over the next fiscal year is \$88,652, and there is no amortization pursuant to a prior service cost or credit. The estimated actuarial gain for the Retiree Medical and Life Plan that will be amortized from the net asset without donor restrictions balance into net periodic benefit cost over the next fiscal year is \$(181,937) and there is no amortization of prior service cost.

The weighted-average assumptions used to determine benefit obligations as of June 30, 2023 and 2022 consisted of the following:

	20	023	20	022
	Cash	Retiree	Cash	Retiree
	Balance	Medical and	Balance	Medical and
	Plan	Life Plan	Plan	Life Plan
Discount rate	4.87%	4.87%	4.36%	3.70%
Rate of compensation increase	N/A	N/A	N/A	N/A

The weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2023 and 2022 consisted of the following:

	20	023	20	022
	Cash	Retiree	Cash	Retiree
	Balance	Medical and	Balance	Medical and
	Plan	Life Plan	Plan	Life Plan
Discount rate	4.36%	3.70%	2.53%	1.08%
Expected return on plan assets	3.30%	N/A	2.60%	N/A
Medical cost trend rate	N/A	6.75%	N/A	7.00%

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

The assumed health care cost trend rate at June 30, 2023 and 2022 consisted of the following:

_	2023		20	022
	Cash	Retiree	Cash	Retiree
	Balance	Medical and	Balance	Medical and
<u>-</u>	Plan	Life Plan	Plan	Life Plan
Health care cost trend rate assumed for next year	N/A	6.75%	N/A	7.00%
Rate to which the cost trend rate is assumed to decline (the ultimate	NIA	4.500/	NI/A	4.500/
trend rate)	N/A	4.50%	N/A	4.50%
Year that the rate reaches the ultimate		2000		2222
trend rate	N/A	2032	N/A	2032

Audubon contributed \$31,456 to its Retiree Medical and Life Plan during the year ended June 30, 2023.

Future benefit payments are expected to be as follows:

Fiscal year ending June 30,	 Cash Balance Plan	Retiree Medical and Life Plan		
2024	\$ 711,000	\$	31,000	
2025	650,000		20,000	
2026	644,000		15,000	
2027	664,000		10,000	
2028	693,000		7,000	
2029 to 2033	3,493,000		15,000	
Total	\$ 6,855,000	\$	98,000	

The weighted-average asset allocation of the Cash Balance Plan as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Cash and cash equivalents	35.15%	36.28%
Equities	18.38	15.30
Fixed income	46.47	48.42
	100.00%	100.00%

The Cash Balance Plan's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocations and estimates of future long-term returns by asset class.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

The composition of the Cash Balance Plan's assets is intended to provide a long-term annualized investment return that will provide for future benefit payments. Volatility is reduced by asset class diversification. The target asset mix is periodically reviewed based on future expectations and performance and rebalanced as deemed necessary.

The fair value hierarchy defines three levels, as further described in Note 2. Cash Balance Plan assets measured at fair value at June 30, 2023 and 2022 are classified within the fair value hierarchy in the tables as follows:

	2023			
		Level 1		Total
Investments				
Equities	\$	1,862,032	\$	1,862,032
Fixed income		4,708,797		4,708,797
		6,570,829		6,570,829
Cash and cash equivalents				3,561,200
Total assets carried at fair value			\$	10,132,029
		20	22	
		20 Level 1	22	Total
Investments		Level 1		Total
Equities	\$	1,582,838	22 \$	1,582,838
	\$	Level 1		
Equities	\$	1,582,838		1,582,838
Equities	\$	1,582,838 5,010,482		1,582,838 5,010,482

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

### **NOTE 10 - CHARITABLE TRUST AGREEMENTS**

### Beneficial interest in charitable trust held by third-party trustees

Beneficial interests in charitable trusts held by third-party trustees totaled \$39,054,598 and \$37,060,292 as of June 30, 2023 and 2022, respectively. Such assets are classified as Level 3 within the fair value hierarchy and changes in such assets during the years ended June 30, 2023 and 2022 are as follows:

	2023			2022		
Balance, at beginning of year		37,060,292	\$	45,016,022		
Trust distributions		-		(50,000)		
Change in fair value		1,994,306		(7,905,730)		
Balance, at end of year	\$	39,054,598	\$	37,060,292		

### Beneficial interest in charitable trusts held by Audubon as trustee

Beneficial interests in charitable trusts held by Audubon as trustee are included in investments on the accompanying consolidated statements of financial position, and are comprised of the following at June 30, 2023 and 2022:

	 2023	2022		
Held by Audubon as trustee Charitable gift annuities Pooled income fund	\$ 12,442,723 899,278	\$	11,564,770 981,869	
	\$ 13,342,001	\$	12,546,639	

Most assets held by third-party trustees are invested in diversified portfolios.

Audubon has a 25% beneficial interest in a trust held at a community foundation, which maintains variance power over its related trusts. In accordance with U.S. GAAP, this amount totaling approximately \$4.0 million and \$3.8 million is not included in the accompanying consolidated financial statements as of June 30, 2023 and 2022, respectively.

Assets held by Audubon as trustee are invested in diversified portfolios and are included within Audubon's investment portfolio as further described in Note 5 to the accompanying consolidated financial statements. The assets held by Audubon as trustee include additional amounts set aside by Audubon for statementated insurance reserves, which are maintained at the required level.

As trustee of certain trusts, Audubon has an obligation to make periodic payments to beneficiaries. Obligations under charitable trusts amounted to approximately \$7,702,000 and \$7,869,000 as of June 30, 2023 and 2022, respectively.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Obligations under charitable trusts held by third-party trustees are designated as Level 3 within the fair value hierarchy and changes in such obligations during the years ended June 30, 2023 and 2022 are as follows:

	2023			2022		
Balance, at beginning of year	\$	7,868,900	\$	8,253,340		
New agreements		889,122		374,877		
Payments to annuitants		(826,886)		(817,375)		
Change in value due to actuarial valuations		(228,817)		58,058		
Balance, at end of year	\$	7,702,319	\$	7,868,900		

### **NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

Audubon receives significant contributions from donors without restrictions, as well as grants and contributions that are restricted for major programs that are ongoing and central to its operations. These funds are generally available to meet cash needs for general expenditures. For the years ended June 30, 2023 and 2022, Audubon's cash flow generated from and used in operations were approximately \$3.8 million and \$(13.9) million, respectively.

Audubon regularly monitors liquidity required to meet its operating needs and other commitments, while using daily automatic sweeps to maximize the investment of available funds. Audubon has various sources of liquidity, including cash and cash equivalents, and marketable debt and equity securities, and maintains core banking relationships should the need arise for lines of credit.

Audubon operates with a balanced operating budget and ensures funds from contributions or grants are available for any capital needs prior to committing to the work. Audubon strives to maintain liquid assets sufficient to cover 90 days of general expenditures. Further, Audubon maintains sufficient endowments and reserves to provide reasonable assurance that long-term commitments will continue to be met. As a baseline measurement, Audubon targets net assets without donor restrictions (less property, plant and equipment, without donor restrictions) at one-half of its annual operating budget.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### June 30, 2023 and 2022

The following table represents financial assets available within one year for general expenditure at June 30, 2023 and 2022:

	2023			2022
Cash and cash equivalents	\$	99,696,232	\$	104,475,535
Other receivables, net		13,560,156		16,465,399
Pledges receivable, net		26,756,722		21,521,843
Investments		273,072,512		248,678,161
Less		413,085,622		391,140,938
Net assets with donor restrictions, except for				
beneficial interest in charitable trust and land				
with donor restrictions		255,917,594		236,006,600
Total financial assets available for general expenditure within one year	\$	157,168,028	\$	155,134,338
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Included within the total financial assets available for general expenditure within one-year is board-designated net assets of which \$31 million and \$30.2 million require board approval to be applied against general expenditures for the years ended June 30, 2023 and 2022, respectively.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

### **NOTE 12 - NATIONAL AUDUBON SOCIETY ACTION FUND**

Included in the accompanying consolidated statements of financial position as of June 30, 2023 and 2022 and accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to Audubon Action Fund.

	 2023	2022		
ASSETS  Cash and cash equivalents  Prepaid expenses and other assets  Pledges receivable, net	\$ 1,305,674 217 64,546	\$	730,172 - 67,073	
Total assets	\$ 1,370,437	\$	797,245	
LIABILITIES AND NET ASSETS				
Liabilities Accounts payable and accrued expenses Intercompany payable	\$ 18,827 259,536	\$	157,615 92,608	
Total liabilities	 278,363	-	250,223	
Net assets Net assets without donor restrictions Net assets with donor restrictions	 528,710 563,364		181,131 365,891	
Total net assets	 1,092,074		547,022	
Total liabilities and net assets	\$ 1,370,437	\$	797,245	

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

## June 30, 2023 and 2022

	2023					
		thout Donor		ith Donor		
	R	Restriction	R	estriction		Total
Revenues						
Contributions and grants	\$	1,249,754	\$	197,473	\$	1,447,227
Net assets released from restriction	-				-	
Total revenue		1,249,754		197,473		1,447,227
Expenses						
Conservation programs:						
Field conservation programs		424,761		-		424,761
National conservation programs		420,399				420,399
Total program expense		845,160				845,160
Fundraising						
Membership development		455		-		455
Other development		27,694				27,694
Total development expense		28,149				28,149
Management and general		28,866				28,866
Total expenses		902,175		<u>-</u> _		902,175
Changes in net assets from operations		347,579		197,473		545,052
Net assets, beginning of year		181,131		365,891		547,022
Net assets, end of year	\$	528,710	\$	563,364	\$	1,092,074

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

## June 30, 2023 and 2022

	2022					
	Without Donor		With Donor			
	Restriction		Restriction		Total	
Revenues						
Contributions and grants	\$	1,053,350	\$	-	\$	1,053,350
Net assets released from restriction		325,565		(325,565)		
Total revenue		1,378,915		(325,565)		1,053,350
Expenses						
Conservation programs:						
Field conservation programs		462,166		-		462,166
National conservation programs		1,021,142				1,021,142
Total program expense		1,483,308				1,483,308
Fundraising						
Membership development		943		-		943
Other development		25,458				25,458
Total development expense		26,401				26,401
Management and general		20,746		-		20,746
Total expenses		1,530,455				1,530,455
Changes in net assets from operations		(151,540)		(325,565)		(477, 105)
Net assets, beginning of year		332,671		691,456		1,024,127
Net assets, end of year	\$	181,131	\$	365,891	\$	547,022