

Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

NATIONAL AUDUBON SOCIETY, INC.

For the years ended June 30, 2019 and 2018

NATIONAL AUDUBON SOCIETY, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
National Audubon Society, Inc.

Report on the financial statements

We have audited the accompanying consolidated financial statements of National Audubon Society, Inc. and affiliates, collectively ("Audubon"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Audubon's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Audubon's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Audubon Society, Inc. and affiliates as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
November 22, 2019

NATIONAL AUDUBON SOCIETY, INC.
Consolidated Statements of Financial Position
As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 52,973,757	\$ 51,124,987
Other receivables, net	9,807,179	6,849,490
Prepaid expenses and other assets	3,480,048	2,389,671
Pledges receivable, net	25,235,123	18,688,693
Investments	252,674,623	245,956,313
Beneficial interest in charitable trusts	37,342,203	41,387,667
Building and equipment, net	45,906,617	43,696,489
Land	<u>102,086,952</u>	<u>101,909,876</u>
Total assets	<u>\$ 529,506,502</u>	<u>\$ 512,003,186</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 11,242,186	\$ 10,698,359
Deferred rent, tuition and other	6,718,535	6,796,852
Funds held for others	3,413,064	2,965,495
Obligations under charitable trusts	7,972,892	7,841,691
Pension and postretirement benefit liability	<u>5,616,571</u>	<u>3,531,056</u>
Total liabilities	<u>34,963,248</u>	<u>31,833,453</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Net assets without donor restrictions	214,367,981	210,393,002
Net assets with donor restrictions	<u>280,175,273</u>	<u>269,776,731</u>
Total net assets	<u>494,543,254</u>	<u>480,169,733</u>
Total liabilities and net assets	<u>\$ 529,506,502</u>	<u>\$ 512,003,186</u>

The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL AUDUBON SOCIETY, INC.
Consolidated Statement of Activities
For the year ended June 30, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
OPERATING ACTIVITIES			
REVENUES, GAINS AND OTHER SUPPORT			
Contributions and grants	\$ 58,963,802	\$ 38,035,795	\$ 96,999,597
Bequests	14,714,786	5,441,004	20,155,790
Earned income	8,542,703	-	8,542,703
Investment earnings on non-pooled funds, net	2,192,294	1,521	2,193,815
Investment earnings on pooled funds - appropriated, net	8,361,875	285,234	8,647,109
Royalties, net and other revenue	1,864,684	-	1,864,684
Net assets released from restrictions	<u>30,602,371</u>	<u>(30,602,371)</u>	<u>-</u>
Total revenues, gains and other support	<u>125,242,515</u>	<u>13,161,183</u>	<u>138,403,698</u>
EXPENSES			
Conservation programs:			
Field conservation programs	65,176,476	-	65,176,476
National conservation programs	<u>29,744,232</u>	<u>-</u>	<u>29,744,232</u>
Total program expense	<u>94,920,708</u>	<u>-</u>	<u>94,920,708</u>
Fundraising:			
Membership development	5,291,947	-	5,291,947
Other development	<u>12,014,961</u>	<u>-</u>	<u>12,014,961</u>
Total development expense	17,306,908	-	17,306,908
Management and general	<u>5,357,103</u>	<u>-</u>	<u>5,357,103</u>
Total expenses	<u>117,584,719</u>	<u>-</u>	<u>117,584,719</u>
Changes in net assets from operations	7,657,796	13,161,183	20,818,979
NON-OPERATING ACTIVITIES			
Gain on sales of land, buildings and equipment	31,200	-	31,200
Investment (loss) gain on pooled funds not appropriated, net	(114,421)	1,055,974	941,553
Charitable trust additions	-	290,110	290,110
Change in value of charitable trusts	<u>-</u>	<u>(4,108,725)</u>	<u>(4,108,725)</u>
Changes in net assets before pension and postretirement related changes other than net periodic costs	7,574,575	10,398,542	17,973,117
Pension and postretirement related changes other than net periodic costs	<u>(3,599,596)</u>	<u>-</u>	<u>(3,599,596)</u>
Changes in net assets	3,974,979	10,398,542	14,373,521
Net assets, beginning of year	<u>210,393,002</u>	<u>269,776,731</u>	<u>480,169,733</u>
Net assets, end of year	<u>\$ 214,367,981</u>	<u>\$ 280,175,273</u>	<u>\$ 494,543,254</u>

The accompanying notes are an integral part of this consolidated financial statement.

NATIONAL AUDUBON SOCIETY, INC.
Consolidated Statement of Activities
For the year ended June 30, 2018

	Without Donor Restriction	With Donor Restriction	Total
OPERATING ACTIVITIES			
REVENUES, GAINS AND OTHER SUPPORT			
Contributions and grants	\$ 54,429,162	\$ 25,217,943	\$ 79,647,105
Bequests	11,323,754	1,187,691	12,511,445
Earned income	9,009,464	-	9,009,464
Investment earnings on non-pooled funds, net	1,646,355	1,217	1,647,572
Investment earnings on pooled funds - appropriated, net	8,123,721	225,611	8,349,332
Royalties, net and other revenue	5,527,430	-	5,527,430
Net assets released from restrictions	24,517,255	(24,517,255)	-
Total revenues, gains and other support	<u>114,577,141</u>	<u>2,115,207</u>	<u>116,692,348</u>
EXPENSES			
Conservation programs:			
Field conservation programs	58,705,594	-	58,705,594
National conservation programs	27,016,432	-	27,016,432
Total program expense	<u>85,722,026</u>	<u>-</u>	<u>85,722,026</u>
Fundraising:			
Membership development	5,110,596	-	5,110,596
Other development	10,400,851	-	10,400,851
Total development expense	<u>15,511,447</u>	<u>-</u>	<u>15,511,447</u>
Management and general	5,061,960	-	5,061,960
Total expenses	<u>106,295,433</u>	<u>-</u>	<u>106,295,433</u>
Changes in net assets from operations	8,281,708	2,115,207	10,396,915
NON-OPERATING ACTIVITIES			
Gain on sales of land, buildings and equipment	15,153	-	15,153
Investment gain on pooled funds not appropriated, net	795,467	7,440,880	8,236,347
Charitable trust additions	-	556,129	556,129
Change in value of charitable trusts	-	1,575,476	1,575,476
Changes in net assets before pension and postretirement related changes other than net periodic costs	<u>9,092,328</u>	<u>11,687,692</u>	<u>20,780,020</u>
Pension and postretirement related changes other than net periodic costs	<u>3,475,771</u>	<u>-</u>	<u>3,475,771</u>
Changes in net assets	12,568,099	11,687,692	24,255,791
Net assets, beginning of year	<u>197,824,903</u>	<u>258,089,039</u>	<u>455,913,942</u>
Net assets, end of year	<u>\$ 210,393,002</u>	<u>\$ 269,776,731</u>	<u>\$ 480,169,733</u>

The accompanying notes are an integral part of this consolidated financial statement.

NATIONAL AUDUBON SOCIETY, INC.
Consolidated Statement of Functional Expenses
For the year ended June 30, 2019

	Conservation Program Expenses			Fundraising Expenses			Management and General	Total
	Field Programs	National Programs	Total Program Expenses	Membership Development	Other Development	Total Development Expenses		
Salaries	\$ 29,711,456	\$ 10,279,018	\$ 39,990,474	\$ 739,935	\$ 6,375,332	\$ 7,115,267	\$ 1,922,793	\$ 49,028,534
Payroll taxes and fringe benefits	6,771,875	2,345,555	9,117,430	168,605	1,452,714	1,621,319	438,137	11,176,886
Travel and meetings	2,485,280	1,059,528	3,544,808	37,451	828,907	866,358	373,677	4,784,843
Postage and mailing	134,970	3,195,635	3,330,605	929,451	136,695	1,066,146	13,071	4,409,822
Grants and scholarships	3,793,837	521,972	4,315,809	2,758	123,695	126,453	27,571	4,469,833
Chapter grants and support	10,445	1,037,801	1,048,246	-	-	-	-	1,048,246
Professional services	9,285,730	5,014,086	14,299,816	1,703,629	1,904,604	3,608,233	700,455	18,608,504
Occupancy	2,704,842	319,860	3,024,702	165,865	281,397	447,262	763,503	4,235,467
Telecommunications	503,736	26,388	530,124	7,973	11,913	19,886	59,336	609,346
Maintenance and other rental fees	2,159,230	135,470	2,294,700	28,390	139,373	167,763	95,536	2,557,999
Supplies and equipment	2,173,497	340,174	2,513,671	51,724	100,300	152,024	321,370	2,987,065
Printing, promotion, and magazine	302,043	3,793,812	4,095,855	978,653	242,064	1,220,717	467	5,317,039
Membership fulfillment	4,854	578,442	583,296	331,818	86,348	418,166	-	1,001,462
Service bureaus	819,477	346,017	1,165,494	74,806	103,383	178,189	179,085	1,522,768
Insurance	837,292	34,025	871,317	4,436	23,049	27,485	239,470	1,138,272
Advertising	232,490	13,030	245,520	4,933	38,021	42,954	-	288,474
Subscriptions, dues, fees, and licenses	333,938	436,942	770,880	7,296	80,521	87,817	23,395	882,092
Depreciation and amortization	2,758,459	187,456	2,945,915	41,702	44,992	86,694	184,769	3,217,378
Other	153,025	79,021	232,046	12,522	41,653	54,175	14,468	300,689
Total expenses	<u>\$ 65,176,476</u>	<u>\$ 29,744,232</u>	<u>\$ 94,920,708</u>	<u>\$ 5,291,947</u>	<u>\$ 12,014,961</u>	<u>\$ 17,306,908</u>	<u>\$ 5,357,103</u>	<u>\$ 117,584,719</u>

The accompanying notes are an integral part of this consolidated financial statement.

NATIONAL AUDUBON SOCIETY, INC.
Consolidated Statement of Functional Expenses
For the year ended June 30, 2018

	Conservation Program Expenses			Fundraising Expenses			Management and General	Total
	Field Programs	National Programs	Total Program Expenses	Membership Development	Other Development	Total Development Expenses		
Salaries	\$ 26,440,982	\$ 8,604,446	\$ 35,045,428	\$ 740,668	\$ 5,268,801	\$ 6,009,469	\$ 1,784,228	\$ 42,839,125
Payroll taxes and fringe benefits	6,936,188	2,257,180	9,193,368	194,297	1,382,150	1,576,447	468,052	11,237,867
Travel and meetings	2,127,194	809,209	2,936,403	44,250	542,278	586,528	435,555	3,958,486
Postage and mailing	128,345	3,320,065	3,448,410	923,474	145,054	1,068,528	15,002	4,531,940
Grants and scholarships	3,388,791	1,153,810	4,542,601	4,823	13,510	18,333	20,759	4,581,693
Chapter grants and support	1,154,002	25,300	1,179,302	-	-	-	-	1,179,302
Professional services	5,258,922	4,427,093	9,686,015	1,157,890	1,095,624	2,253,514	441,004	12,380,533
Occupancy	2,106,508	522,302	2,628,810	268,514	322,594	591,108	735,822	3,955,740
Telecommunications	460,202	54,799	515,001	19,437	24,609	44,046	35,166	594,213
Maintenance and other rental fees	2,380,230	80,057	2,460,287	58,993	90,135	149,128	173,014	2,782,429
Supplies and equipment	1,720,758	222,737	1,943,495	106,652	130,921	237,573	229,769	2,410,837
Printing, promotion, and magazine	438,389	3,085,541	3,523,930	900,694	233,178	1,133,872	573	4,658,375
Membership fulfillment	32	663,806	663,838	358,534	78,917	437,451	-	1,101,289
Service bureaus	1,086,190	472,548	1,558,738	155,814	224,340	380,154	231,815	2,170,707
Insurance	989,853	46,741	1,036,594	7,914	26,075	33,989	220,744	1,291,327
Advertising	153,552	663,028	816,580	66,132	50,844	116,976	-	933,556
Subscriptions, dues, fees, and licenses	327,593	238,492	566,085	11,662	128,987	140,649	32,505	739,239
Depreciation and amortization	2,923,913	179,161	3,103,074	90,848	86,056	176,904	237,863	3,517,841
Other	683,950	190,117	874,067	-	556,778	556,778	89	1,430,934
Total expenses	<u>\$ 58,705,594</u>	<u>\$ 27,016,432</u>	<u>\$ 85,722,026</u>	<u>\$ 5,110,596</u>	<u>\$ 10,400,851</u>	<u>\$ 15,511,447</u>	<u>\$ 5,061,960</u>	<u>\$ 106,295,433</u>

The accompanying notes are an integral part of this consolidated financial statement.

NATIONAL AUDUBON SOCIETY, INC.
Consolidated Statements of Cash Flows
For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 14,373,521	\$ 24,255,791
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,217,378	3,517,841
Net realized and unrealized gains on investments	(5,249,359)	(13,453,463)
Decrease (increase) in beneficial interests in charitable trusts	4,045,464	(1,380,175)
Gains on sales of land, buildings and equipment	(31,200)	(15,153)
Increase (decrease) in estimate of allowance for uncollectible pledges, and other receivables	207,649	(113,781)
Long-term contributions, bequests and additions to charitable trusts	(5,731,044)	(2,452,790)
Change in operating assets and liabilities:		
Increase in pledges and other receivables	(9,711,768)	(255,381)
(Increase) decrease in prepaid expenses and other assets	(1,090,377)	536,595
Increase in accounts payable, accrued expenses, funds held for others and obligations under charitable trusts	1,122,597	2,121,540
(Decrease) increase in deferred rent, tuition and other	(78,317)	272,542
Increase (decrease) in pension and postretirement benefit liability	2,085,515	(4,398,787)
Net cash provided by operating activities	<u>3,160,059</u>	<u>8,634,779</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(58,193,850)	(35,350,569)
Proceeds from sales of investments	56,724,899	40,447,356
Additions to land, buildings and equipment	(5,825,079)	(4,117,794)
Disposals of land, buildings and equipment	220,497	2,094,191
Proceeds from sales of land, buildings and equipment	31,200	15,153
Net cash (used in) provided by investing activities	<u>(7,042,333)</u>	<u>3,088,337</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions, bequests and charitable trusts restricted for:		
Endowment	4,343,342	775,900
Capital projects	1,097,592	1,120,761
Charitable trust additions	290,110	556,129
Net cash provided by financing activities	<u>5,731,044</u>	<u>2,452,790</u>
Net increase in cash and cash equivalents	1,848,770	14,175,906
Cash and cash equivalents, beginning of the year	<u>51,124,987</u>	<u>36,949,081</u>
Cash and cash equivalents, end of the year	<u>\$ 52,973,757</u>	<u>\$ 51,124,987</u>

The accompanying notes are an integral part of these consolidated financial statements.

NATIONAL AUDUBON SOCIETY, INC.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

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.

The consolidated financial statements include National Audubon Society, Inc., National Audubon Society Action Fund, 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 22 state and regional offices, 34 nature centers, 23 sanctuaries, 452 independent chapters, and international partners throughout the hemisphere. In addition, Audubon is currently in the process of establishing additional chapters at more than 100 college campuses across the U.S. Audubon works throughout the Americas using science, advocacy, education, and on-the-ground conservation. State programs, nature 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 five strategies critical for birds:

1. ***Coasts***: Audubon and its partners in Latin America build resilient coastlines and to enhance populations of shorebirds, while preserving the breeding, stopover and wintering sites in vital habitats along the coasts of the Americas.
2. ***Working Lands***: Audubon works with landowners, land managers, private industry and government agencies to create bird friendly, sustainable land-management practices on the millions of acres across the hemisphere that are dedicated to agriculture and grazing.
3. ***Water***: Audubon works to ensure that critical wetlands, in peril due to water allocation and quality issues, get the water they need to remain important wintering and migratory stopover habitats and sustain wildlife.
4. ***Climate***: Audubon seeks to create greater demand for change on the climate issue by tapping into people’s passion for birds to protect the 389 North American bird species threatened by climate change by caring for the places they need now and in a climate-changed future.
5. ***Bird-Friendly Communities***: Audubon’s network operates in America’s cities and towns, the places where birds and people intersect the most, to protect and restore bird populations by providing food, shelter, safe passage and places to raise their young.

National Conservation Programs focus and align Audubon’s unparalleled network 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:

- ***Climate Initiative*** works to protect the places birds need in a warmer world, and advocate for significant public policy changes at the local, state and federal levels. Audubon seeks to create

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Notes to Consolidated Financial Statements
June 30, 2019 and 2018

greater demand for change on the climate issue by building sustained grassroots influence among Audubon's bipartisan, 1.6 million members and supporters. Our work includes action to protect and monitor climate strongholds (places where birds will have the best chance to survive), and influence policies and regulations that reduce greenhouse gases and encourage renewable energy.

- **Network** increases the capacity, diversity, connectedness and effectiveness of Audubon's network by working with staff in state offices and centers, and our 452 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 nature 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 thought leader. The Science program establishes common metrics to track progress across initiatives and flyways, including biological response of species, and acres of habitat restored, protected or managed. It conducts citizen science bird monitoring and data collection through the Christmas Bird Count and Great Backyard Bird Count, and the Climate Watch program, to gain a unique view on bird trends across the hemisphere to identify and understand threats like climate change. Science's work was at the center of the Climate Initiative launch, based on an analysis of more than 100 years of observations from our citizen scientists that indicated that more than half of America's bird species are in peril from changing climatic conditions.
- **Policy** uses a centrist approach to environmental advocacy that has earned a reputation as a trusted and influential voice. We combine grassroots organizing, advocacy and communication to support large state and multi-state efforts such as: the restoration of large iconic ecosystems, like the Arctic Slope in Alaska, the wetlands of the Everglades, and the Mississippi River Delta; protection of 2,838 Important Bird Areas covering approximately 400 million acres of public and private lands; and safeguarding common sense laws like the Clean Air Act, Clean Water Act, Endangered Species Act and the Neotropical Migratory Bird Conservation Act.
- **Marketing & Engagement** 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 1.6 million readers. Since April 2015, Audubon has owned and operated digital applications bearing the Audubon branded nature guides. The guides have been downloaded more than 1 million times, and advance Audubon's mission of educating people about birds.
- **Hemispheric Strategy** works through partner organizations as part of BirdLife International to deliver concrete, on the ground actions that address critical threats to Audubon's priority bird species. Audubon provides science, technical expertise, and policy development tools to build the conservation capacities of in-country organizations. Audubon collaborates with international partners in nine countries on conservation work and five more to foster grassroots action on climate change issues. We are the BirdLife International partner for the United States.

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Notes to Consolidated Financial Statements
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- **Equity, Diversity and Inclusion** is a core value and strategic imperative for Audubon. Achieving our conservation goals requires authentic representation of all the communities we work in to build a brighter future for birds. Audubon’s diversity and inclusion efforts will broaden our network of supporters and increase our staff diversity, inspiring more people to work to conserve more habitats. Audubon is dedicated to providing a work environment that prioritizes 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 13). Audubon Action Fund works to amplify the work of Audubon, aiming to build bipartisan support for common-sense solutions to address today’s greatest conservation threats.

Field Conservation Programs operate Audubon’s 22 regional and state offices and combine local policy, science and on the ground conservation efforts to advance Audubon’s mission. The field conservation programs also connect the work of Audubon chapters, nature centers, volunteers, partners, and other supporters along each of the four migratory flyways. Through this work, Audubon weaves a seamless web to achieve full lifecycle conservation for both migratory and non-migratory species. Integrated, shared flyway conservation goals enhance our impact, and coordinated resources and expertise increases efficiency across the network.

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, 2019 and 2018, Audubon incurred joint costs of approximately \$10,584,000 and \$9,693,000, respectively, for informational material and activities that included development appeals. Of those costs, approximately \$2,790,000 and \$2,391,000 were allocated to fundraising and approximately \$7,794,000 and \$7,302,000 were allocated to programs for the years ended June 30, 2019 and 2018, respectively.

Management and general are those expenses that are not allocated to a program or fundraising activity and include certain activities of the President’s Office, as well as support areas such as Finance, Human Resources, Information Services, 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 year ended June 30, 2019, Audubon Action Fund reported \$1.6 million of revenue (see Note 13), including \$798,296 in grants from Audubon that have been eliminated in consolidation.

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, 2019 and 2018.

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Chapters

Audubon has 452 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.

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").

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

- Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of underwater endowment funds and related disclosures;
- Requiring the use of the placed-in-service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

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Audubon adopted ASU 2016-14 as of and for the year ended June 30, 2019. A presentation of net assets as previously reported as of June 30, 2018 and 2017, and as required under ASU 2016-14 follows:

	June 30, 2018			
	Presentation under ASU 2016-14			
	As Previously Presented	Without Donor Restrictions	With Donor Restrictions	Total
Net assets:				
Unrestricted	\$ 210,393,002	\$ 210,393,002	\$ -	\$ 210,393,002
Temporarily restricted	161,527,427	-	161,527,427	161,527,427
Permanently restricted	108,249,304	-	108,249,304	108,249,304
Total net assets	<u>\$ 480,169,733</u>	<u>\$ 210,393,002</u>	<u>\$ 269,776,731</u>	<u>\$ 480,169,733</u>

	June 30, 2017			
	Presentation under ASU 2016-14			
	As Previously Presented	Without Donor Restrictions	With Donor Restrictions	Total
Net assets:				
Unrestricted	\$ 197,824,903	\$ 197,824,903	\$ -	\$ 197,824,903
Temporarily restricted	151,854,647	-	151,854,647	151,854,647
Permanently restricted	106,234,392	-	106,234,392	106,234,392
Total net assets	<u>\$ 455,913,942</u>	<u>\$ 197,824,903</u>	<u>\$ 258,089,039</u>	<u>\$ 455,913,942</u>

Accordingly, 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.

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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.

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%, 3.5% or 4.5% of the average of the rolling five calendar year-end market values, subject to limitations where applicable under donor restrictions or regulatory requirements.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets include inventories of retail store merchandise of approximately \$302,000 and \$280,000 as of June 30, 2019 and 2018, 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%.

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 2019 and 2018.

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.

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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:

	<u>Estimated Useful Lives</u>
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 105,989 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

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. As permitted by U.S. GAAP, 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.

Revenue from federal grants is recognized to the extent that qualifying reimbursable expenses have been incurred over the terms of the respective agreements.

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.

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 \$1,624,000 and \$1,416,000 as of June 30, 2019 and 2018, 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.

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

Funds Held for Others

As of June 30, 2019 and 2018, funds held for others included approximately \$3,413,000 and \$2,965,000, 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 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 ASU 2015-07, 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.

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).

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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 recognized within non-operating activities. Charitable trust contributions, the change in value of charitable trusts, pension-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.

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.

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Subsequent Events

Audubon has evaluated, for potential recognition and disclosure, events subsequent to the consolidated statement of financial position date of June 30, 2019 through November 22, 2019, 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 May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. The guidance is effective for interim and annual periods on or after December 15, 2018 (early adoption is permitted only as of annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period). The guidance permits the use of either a retrospective or cumulative effect transition method. ASU No. 2014-09 is effective for Audubon for fiscal year 2020. Audubon is currently evaluating the new guidance and has not determined the impact this standard may have on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). ASU 2018-08 requires Audubon to determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. If the agreement (or a referenced document) includes both, Audubon is not entitled to the transferred assets (or a future transfer of assets) until it has overcome the barriers in the agreement. The provisions of ASU No. 2018-08 are effective for Audubon for fiscal year 2020. Audubon is currently evaluating the impact this standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for Audubon for fiscal year 2021. Early adoption is permitted. Audubon is currently evaluating the new guidance and has not determined the impact this standard may have on its consolidated financial statements.

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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 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, 2019 and June 30, 2018, there were no donor-endowment funds whose fair value was below the original gift amount.

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Changes in endowment net assets, excluding permanently restricted land of approximately \$10,295,000 for the years ended June 30, 2019 and 2018, were as follows:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 35,726,311	\$ 156,838,247	\$ 192,564,558
Investment activity:			
Interest, dividends and realized gains	1,818,200	6,370,264	8,188,464
Unrealized losses on investments	(251,208)	(1,342,284)	(1,593,492)
Change in value of charitable trusts	-	(3,855,735)	(3,855,735)
Total investment activity	1,566,992	1,172,245	2,739,237
Amounts appropriated for expenditure	(1,666,956)	(4,524,611)	(6,191,567)
Contributions to endowments	107,770	199,213	306,983
Bequests	-	4,913,316	4,913,316
Additional amounts appropriated	(826,014)	(944,314)	(1,770,328)
Endowment net assets, end of year	\$ 34,908,103	\$ 157,654,096	\$ 192,562,199
	2018		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 35,887,004	\$ 149,386,728	\$ 185,273,732
Investment activity:			
Interest, dividends and realized gains	3,998,177	15,135,259	19,133,436
Unrealized losses on investments	(1,300,908)	(5,529,727)	(6,830,635)
Change in value of charitable trusts	-	1,239,012	1,239,012
Total investment activity	2,697,269	10,844,544	13,541,813
Amounts appropriated for expenditure	(1,652,196)	(4,168,925)	(5,821,121)
Contributions to endowments	1,794,234	79,940	1,874,174
Bequests	-	695,960	695,960
Additional amounts appropriated	(3,000,000)	-	(3,000,000)
Endowment net assets, end of year	\$ 35,726,311	\$ 156,838,247	\$ 192,564,558

Endowment net assets of \$196,271,445 and \$192,564,558 as of June 30, 2019 and 2018, respectively, are included within the investments and beneficial interest in charitable trusts in the accompanying consolidated statements of financial position.

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Net assets with donor restriction as of June 30, 2019 and 2018 are available as shown below:

	<u>2019</u>	<u>2018</u>
Net Assets With Donor Restriction:		
Purpose restrictions:		
Field conservation programs	\$ 235,762,329	\$ 221,978,118
National conservation programs	16,622,782	17,290,788
Time restrictions	<u>27,790,162</u>	<u>30,507,825</u>
Total Net Assets With Donor Restriction	<u>\$ 280,175,273</u>	<u>\$ 269,776,731</u>

4. RECEIVABLES

Receivables consist of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Unconditional pledges receivable:		
Less than one year	\$ 17,513,852	\$ 15,111,972
One to ten years	<u>8,894,200</u>	<u>4,485,021</u>
	26,408,052	19,596,993
Less: Allowance for uncollectible pledges	<u>(1,172,929)</u>	<u>(908,300)</u>
Total pledges receivable, net	25,235,123	18,688,693
Other receivables (net of allowance of \$491,530 and \$507,932 at June 30, 2019 and 2018, respectively)	<u>9,807,179</u>	<u>6,849,490</u>
	<u>\$ 35,042,302</u>	<u>\$ 25,538,183</u>

Audubon received new conditional pledges of approximately \$1,580,000 and \$3,333,000 during the years ended June 30, 2019 and 2018, respectively. Audubon has recorded revenue of approximately \$330,000 and \$5,000 for the years ended June 30, 2019 and 2018, respectively, the extent to which the conditions on the pledges have been met. As of June 30, 2019 and 2018, Audubon had conditional pledges outstanding of approximately \$4,859,000 and \$3,609,000, respectively. Pledge payments due over the ensuing one to two years are conditional based on progress and reporting satisfactory to the donor.

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5. INVESTMENTS

Audubon's investments consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 16,927,359	\$ 13,627,708
Due from broker	-	879,664
Equities	86,755,879	68,506,057
Fixed income	48,304,369	54,711,844
Real assets and commodities	11,116,089	15,490,525
Equities - international	45,401,596	58,163,682
Equities - emerging markets	8,564,314	5,523,935
Common trust funds	9,644,449	9,697,649
Fixed income - long/short	12,606,611	12,240,890
Fixed income - private	5,901,011	2,780,981
Real assets - private	2,024,343	1,330,948
Private equity	5,428,603	3,002,430
	<u>\$ 252,674,623</u>	<u>\$ 245,956,313</u>

As of June 30, 2019, concentrations of Audubon's investments in excess of 10% of the fair value of its portfolio included approximately 16% invested in the SPDR S&P 500 Fossil Fuel Rsrv Free ETF and 13% in the Baird Aggregate Bond Institutional Fund. As of June 30, 2018, concentrations included approximately 11% invested in the Sands Capital Growth Institutional Fund, 11% invested in the SPDR S&P 500 Fossil Fuel Rsrv Free ETF, and 14% invested in the Baird Aggregate Bond Institutional Fund.

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

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Assets and liabilities measured at fair value at June 30, 2019 and 2018 are classified in the tables below in one of the three levels as follows:

	2019		
	Level 1	Level 3	Total
Assets carried at fair value:			
Investments:			
Equities	\$ 86,755,879	\$ -	\$ 86,755,879
Fixed income	48,304,369	-	48,304,369
Real assets and commodities	11,116,089	-	11,116,089
Equities - International	30,025,213	-	30,025,213
Equities - Emerging Markets	75,294	-	75,294
	<u>176,276,844</u>	<u>-</u>	<u>176,276,844</u>
Cash and cash equivalents			16,927,359
Investments measured at NAV			<u>59,470,420</u>
Total investments			252,674,623
Beneficial interest in charitable trusts	<u>-</u>	<u>37,342,203</u>	<u>37,342,203</u>
Total assets carried at fair value	<u>\$ 176,276,844</u>	<u>\$ 37,342,203</u>	<u>\$ 290,016,826</u>
Liabilities carried at fair value:			
Obligations under charitable trusts	<u>\$ -</u>	<u>\$ 7,972,892</u>	<u>\$ 7,972,892</u>
Total liabilities carried at fair value	<u>\$ -</u>	<u>\$ 7,972,892</u>	<u>\$ 7,972,892</u>
2018			
	Level 1	Level 3	Total
Assets carried at fair value:			
Investments:			
Equities	\$ 68,506,057	\$ -	\$ 68,506,057
Fixed income	54,711,844	-	54,711,844
Real assets and commodities	15,490,525	-	15,490,525
Equities - International	33,879,148	-	33,879,148
Equities - Emerging Markets	68,413	-	68,413
	<u>172,655,987</u>	<u>-</u>	<u>172,655,987</u>
Cash and cash equivalents			13,627,708
Due from broker			879,664
Investments measured at NAV			<u>58,792,954</u>
Total investments			245,956,313
Beneficial interest in charitable trusts	<u>-</u>	<u>41,387,667</u>	<u>41,387,667</u>
Total assets carried at fair value	<u>\$ 172,655,987</u>	<u>\$ 41,387,667</u>	<u>\$ 287,343,980</u>
Liabilities carried at fair value:			
Obligations under charitable trusts	<u>\$ -</u>	<u>\$ 7,841,691</u>	<u>\$ 7,841,691</u>
Total liabilities carried at fair value	<u>\$ -</u>	<u>\$ 7,841,691</u>	<u>\$ 7,841,691</u>

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

Equities, Fixed Income, Real Assets and Commodities, International, and Emerging Markets

Valued at the closing price reported on the active market on which the individual securities are traded at year end.

The following tables list investments valued at NAV as of June 30, 2019 and 2018:

2019								
Name/Type	Strategy	Number of Funds	NAV in Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions	
Equities - Emerging Markets	Seeks to maximize total return.	1	\$ 8,489,020	N/A	N/A	10 business days notice.	N/A	
Equities - International	Seeks to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in any country other than the U.S. Fund will invest primarily in established international markets; but may invest a portion in emerging markets.	1	15,376,383	N/A	N/A	Redemptions are permitted on a monthly basis as of the first business day of each month with seven (7) days notice.	Redemptions ordinarily must equal or exceed \$1,000,000. Notice and minimum redemption requirements may be waived.	
Fixed Income - Long/Short	Seeks to exploit structural and technical inefficiencies in the market, especially in the short-end of the yield curve, and to enhance returns through the use of hedging, modest leverage and select longer-term return investments.	1	5,388,039	N/A	N/A	Redemptions are available as of the last business day of the calendar quarter following the expiration of the applicable lock-up with 120 days notice.	Redemptions will be permitted after an investor's first two (2) years of investment.	
Fixed Income - Long/Short	Seeks capital appreciation and current income by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial, or legal uncertainties.	1	6,007,908	N/A	N/A	Quarterly with 60 days notice	May redeem no more than 25% of the aggregate NAV of such shareholder's shares.	
Private Equity	Venture capital and private equity	8	5,428,603	10-13, 12, 15 years	\$ 9,002,271	Illiquid	Not permitted to withdraw.	
Fixed Income - Long/Short	Seeks to achieve superior risk-adjusted returns through opportunistic investments across the credit spectrum.	1	1,170,914	N/A	N/A	Semi-annually with 90 days notice	N/A	
Fixed Income - Long/Short	Seeks to achieve attractive risk adjusted returns by investing in, on margin or otherwise, a diversified portfolio of public and private securities, primarily involving high yield fixed income securities, syndicated leveraged loans ("bank debt"), credit derivatives, equities, and options.	1	39,750	N/A	N/A	Illiquid	Fund is winding down and cash proceeds are to be returned to shareholders over time by way of compulsory redemption.	
Fixed Income - Private	Seeks to generate current income and capital appreciation by investing primarily in senior secured and one stop loans of U.S. middle-market companies.	1	2,823,739	2 years	150,000	Illiquid	Not permitted to withdraw.	
Fixed Income - Private	Seeks to provide investors with attractive long-term results through investing principally in: (i) performing, sub-performing, re-performing or non-performing loans and other private credit assets; (ii) structured products, securitizations and other asset-backed securities backed by assets of any type; (iii) residential and commercial real estate; and (iv) investments in public or private equity securities, equity linked securities and/or debt instruments of companies and other entities.	1	2,367,398	6-8 years	1,308,996	Illiquid	Not permitted to withdraw.	
Real Assets - Private	Seeks to achieve its target returns by proactively sourcing and acquiring assets at attractive prices, implementing asset repositioning, development, and cash-flow optimization programs, and exiting primarily through sales to buyers seeking stabilized properties	1	1,329,318	7-9 years	1,931,848	Illiquid	Not permitted to withdraw.	
Common trust funds	The objectives of the funds are to approximate the performance of various indices such as the S&P 500 Index, Russell 2000 Index, MSCI EAFE Index and S&P MidCap 400 Index.	10	9,644,449	N/A	N/A	Daily/Monthly	N/A	
Fixed Income - Private	Targets a combination of top-down investment themes, as well as idiosyncratic, company-specific opportunities that yield attractive risk-adjusted returns across the capital structure. Approximately 70% of the portfolio is expected to be invested in debt securities.	2	709,874	10 Years	3,206,132	Illiquid	Not permitted to withdraw.	
Real Assets - Private	Seeks to acquire high-quality assets at a discount and add value through operational improvements. The Fund's target allocation is 50% U.S. investments and 50% non-U.S. investments and can include both large scale portfolios of properties as well as individual properties.	1	695,025	10 Years	2,716,232	Illiquid	Not permitted to withdraw.	
		<u>30</u>	<u>\$ 59,470,420</u>		<u>\$ 18,315,479</u>			

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2018							
Name/Type	Strategy	Number of Funds	NAV in Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Equities - Emerging Markets	Seeks to maximize total return.	1	\$ 5,455,522	N/A	N/A	10 business days notice.	N/A
Equities - International	Seeks to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in any country other than the U.S. Fund will invest primarily in established international markets; but may invest a portion in emerging markets.	1	24,284,534	N/A	N/A	Redemptions are permitted on a monthly basis as of the first business day of each month with seven (7) days notice.	Redemptions ordinarily must equal or exceed \$1,000,000. Notice and minimum redemption requirements may be waived.
Fixed Income - Long/Short	Seeks to exploit structural and technical inefficiencies in the market, especially in the short-end of the yield curve, and to enhance returns through the use of hedging, modest leverage and select longer-term return investments.	1	5,216,144	N/A	N/A	Redemptions are available as of the last business day of the calendar quarter following the expiration of the applicable lock-up with 120 days notice.	Redemptions will be permitted after an investor's first two (2) years of investment.
Fixed Income - Long/Short	Seeks capital appreciation and current income by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial, or legal uncertainties.	1	5,834,451	N/A	N/A	Quarterly with 60 days notice	May redeem no more than 25% of the aggregate NAV of such shareholder's shares.
Private Equity	Venture capital and private equity	6	3,712,304	1-3, 9-12, 10-13 years	\$ 3,552,121	Illiquid	Not permitted to withdraw.
Fixed Income - Long/Short	Seeks to achieve superior risk-adjusted returns through opportunistic investments across the credit spectrum.	1	1,139,064	N/A	N/A	Semi-annually with 90 days notice	N/A
Fixed Income - Long/Short	Seeks to achieve attractive risk adjusted returns by investing in, on margin or otherwise, a diversified portfolio of public and private securities, primarily involving high yield fixed income securities, syndicated leveraged loans ("bank debt"), credit derivatives, equities, and options.	1	51,231	N/A	N/A	Illiquid	Fund is winding down and cash proceeds are to be returned to shareholders over time by way of compulsory redemption.
Fixed Income - Private	Seeks to generate current income and capital appreciation by investing primarily in senior secured and one stop loans of U.S. middle-market companies.	1	1,080,000	2 years	1,920,000	Illiquid	Not permitted to withdraw.
Fixed Income - Private	Seeks to provide investors with attractive long-term results through investing principally in: (i) performing, sub-performing, re-performing or non-performing loans and other private credit assets; (ii) structured products, securitizations and other asset-backed securities backed by assets of any type; (iii) residential and commercial real estate; and (iv) investments in public or private equity securities, equity linked securities and/or debt instruments of companies and other entities.	1	991,107	6-8 years	2,625,000	Illiquid	Not permitted to withdraw.
Real Assets - Private	Seeks to achieve its target returns by proactively sourcing and acquiring assets at attractive prices, implementing asset repositioning, development, and cash-flow optimization programs, and exiting primarily through sales to buyers seeking stabilized properties	1	1,330,948	7-9 years	2,254,355	Illiquid	Not permitted to withdraw.
Common trust funds	The objectives of the funds are to approximate the performance of various indices such as the S&P 500 Index, Russell 2000 Index, MSCI EAFE Index and S&P MidCap 400 Index.	10 25	9,697,649 \$ 58,792,954	N/A	N/A \$ 10,351,476	Daily/Monthly	N/A

6. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at June 30, 2019 and 2018:

	2019	2018
Buildings and building improvements	\$ 48,040,812	\$ 47,717,154
Equipment	12,456,561	12,336,202
Leasehold improvements	23,082,846	21,783,552
Construction in progress (see Note 9)	5,693,861	2,404,469
Artwork	425,753	425,753
	<u>89,699,833</u>	<u>84,667,130</u>
Less: Accumulated depreciation and amortization	<u>(43,793,216)</u>	<u>(40,970,641)</u>
Buildings and equipment, net	<u>\$ 45,906,617</u>	<u>\$ 43,696,489</u>
Land	<u>\$ 102,086,952</u>	<u>\$ 101,909,876</u>

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Included in net assets with donor restrictions is land to be held in perpetuity of approximately \$10,295,000 as of both June 30, 2019 and 2018 (see Note 3). Included in net assets without donor restrictions is land of approximately \$91,792,000 and \$91,615,000 as of June 30, 2019 and 2018, 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, 2019 and 2018 totaled approximately \$177,000 and \$2,335,000, respectively. Land sold or transferred to other organizations during the years ended June 30, 2019 and 2018 totaled approximately \$0 and \$448,000, respectively.

7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions during the years ended June 30, 2019 and 2018 in satisfaction of donor time and use restrictions as follows:

	<u>2019</u>	<u>2018</u>
Program restrictions:		
Field conservation programs	\$ 29,263,294	\$ 23,390,830
National conservation programs	<u>1,339,077</u>	<u>1,126,425</u>
	<u>\$ 30,602,371</u>	<u>\$ 24,517,255</u>

8. IN-KIND CONTRIBUTIONS

Audubon receives in-kind contributions in the form of donated goods and land which are recorded at their estimated fair value at the date of receipt. A number of volunteers donate substantial amounts of time to Audubon's program services. Donated services are evaluated to determine if they meet the criteria for recognition in the consolidated financial statements. The value of such in-kind contributions, that met the criteria for recognition, was approximately \$184,793 and \$211,875 for the years ended June 30, 2019 and 2018, respectively, and is reflected in the accompanying consolidated financial statements as contribution revenue and applicable functional expenses or capitalized assets, as appropriate.

9. COMMITMENTS AND CONTINGENCIES

Audubon entered into a twenty year lease agreement for its national headquarters in New York. The lease commenced September 1, 2007 and was amended on November 1, 2007. Rental payments commenced May 1, 2008 and call for approximately the following commitments for years subsequent to June 30, 2019:

	<u>Base Rent</u>	<u>Operating Expenses</u>	<u>Total</u>
2020	\$ 1,310,000	\$ 477,000	\$ 1,787,000
2021	1,310,000	531,000	1,841,000
2022	1,310,000	586,000	1,896,000
2023	1,377,000	643,000	2,020,000
2024	1,425,000	703,000	2,128,000
Thereafter	<u>4,870,000</u>	<u>2,888,000</u>	<u>7,758,000</u>
	<u>\$ 11,602,000</u>	<u>\$ 5,828,000</u>	<u>\$ 17,430,000</u>

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As of June 30, 2019 and 2018, 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 \$273,648 and \$291,795 as of June 30, 2019 and 2018, respectively, is included in prepaid expenses and other assets in the accompanying consolidated statements of financial position and secures this letter of credit.

Audubon occupies other office space under long-term lease agreements with varying expiration dates through the year ended June 30, 2025. Future minimum annual rental commitments under operating leases are approximately as follows for years subsequent to June 30, 2019:

2020	\$ 1,408,000
2021	1,086,000
2022	884,000
2023	239,000
2024	40,000
Thereafter	-
	<u>\$ 3,657,000</u>

Rent credits and charges are accounted for on a straight-line basis over the life of the lease. Included in deferred rent, tuition, and other on the accompanying consolidated statements of financial position as of June 30, 2019 and 2018 is a liability of approximately \$4,424,000 and \$4,619,000, respectively, related to the tenant improvement credit and deferred rent under the straight-line method of accounting.

The minimum rental payments are subject to adjustments based on increases in real estate taxes, insurance and other operating expenses. Total rent expense for the years ended June 30, 2019 and 2018 amounted to approximately \$3,218,000 and \$3,125,000, respectively.

During the year ended June 30, 2012, Audubon began leasing personal computers on three-year leases. The future three-year total commitments were approximately \$380,238 and \$318,428 as of June 30, 2019 and 2018, respectively. Audubon has also entered into arrangements with multiple suppliers for office equipment such as copiers and postage meters. These leases have terms that range from 1 to 7 years with total lease costs of less than \$85,000 annually.

Audubon is in the process of developing and improving several nature centers, which are in various stages of completion. As of June 30, 2019 and 2018, Audubon had remaining commitments on construction and related agreements amounting to approximately \$4,388,000 and \$1,736,000, respectively.

Audubon is invested in several limited partnerships under which Audubon is committed to make capital contributions in future periods totaling approximately \$18,315,000 and \$16,851,000 as of June 30, 2019 and 2018, 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 financial position, changes in net assets or cash flows.

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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 financial position, changes in net assets or cash flows.

10. PENSION AND OTHER RETIREMENT BENEFIT PLANS

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 5 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. The effect of the settlements are reflected in the tables below and has been included in the change to net assets without donor restrictions.

403(b) Plan

In addition to the Cash Balance 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, 2019 and 2018, Audubon contributed approximately \$2,885,000 and \$2,552,000, respectively, to this retirement plan.

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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 2019 and 2018 was \$19,000 and \$18,500, respectively. This plan is entirely funded by employee salary deferrals. Plan assets and liabilities pertaining to the 457(b) plan, which are immaterial to the accompanying consolidated financial statements, have not been recognized.

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 will be 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.

The following table sets forth the plan's funded status and benefit obligation at June 30, 2019 and 2018:

	2019		2018	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Change in benefit obligation:				
Benefit obligation - beginning of year	\$ 30,811,828	\$ 1,321,631	\$ 34,696,436	\$ 1,263,275
Service cost	-	118,181	-	114,017
Interest cost	1,134,165	49,992	1,216,788	41,587
Participant contributions and retiree drug subsidy	-	67,806	-	66,340
Actuarial gain	2,804,793	70,596	(2,356,533)	(85,381)
Benefits paid and expenses	(1,427,906)	(79,945)	(2,744,863)	(78,207)
Settlements	(3,789,818)	-	-	-
Benefit obligation - end of year	<u>29,533,062</u>	<u>1,548,261</u>	<u>30,811,828</u>	<u>1,321,631</u>
Change in plan assets:				
Fair value of plan assets - beginning of year	28,602,403	-	28,029,868	-
Actual return	508,289	-	2,317,398	-
Employer contributions	1,000,000	12,139	1,000,000	11,867
Participant contributions and retiree drug subsidy	-	67,806	-	66,340
Benefits paid	(1,427,906)	(79,945)	(2,744,863)	(78,207)
Settlements	(3,218,034)	-	-	-
Fair value of plan assets - end of year	<u>25,464,752</u>	<u>-</u>	<u>28,602,403</u>	<u>-</u>
Funded status	<u>\$ (4,068,310)</u>	<u>\$ (1,548,261)</u>	<u>\$ (2,209,425)</u>	<u>\$ (1,321,631)</u>
Accumulated benefit obligation	<u>\$ 29,533,062</u>	<u>\$ 1,548,261</u>	<u>\$ 30,811,828</u>	<u>\$ 1,321,631</u>

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Amounts recognized as a liability in the accompanying consolidated statements of financial position consisted of the following as of June 30, 2019 and 2018:

	2019		
	Cash Balance Plan	Retiree Medical and Life Plan	Total
Accrued benefit liability	<u>\$ 4,068,310</u>	<u>\$ 1,548,261</u>	<u>\$ 5,616,571</u>

	2018		
	Cash Balance Plan	Retiree Medical and Life Plan	Total
Accrued benefit liability	<u>\$ (2,209,425)</u>	<u>\$ (1,321,631)</u>	<u>\$ (3,531,056)</u>

The following table provides the components of net periodic benefit cost for the plans for the years ended June 30, 2019 and 2018:

	2019		2018	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Service cost	\$ 298,669	\$ 118,181	\$ 328,822	\$ 114,017
Interest cost	1,134,165	49,992	1,216,788	41,587
Expected return on plan assets	(1,798,659)	-	(1,863,919)	-
Amortization of prior service credit	-	(196,225)	-	(196,225)
Amortization of net loss/(gain)	-	(108,065)	561,889	(114,108)
Net periodic benefit cost (credit)	<u>\$ (365,825)</u>	<u>\$ (136,117)</u>	<u>\$ 243,580</u>	<u>\$ (154,729)</u>

The components of the unfunded liability as of June 30, 2019 and 2018 but not yet reflected in net periodic benefit cost consisted of the following:

	2019		2018	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Prior service credit	\$ -	\$ 1,145,952	\$ -	\$ 1,342,177
Accumulated (loss)/gain	<u>(4,883,043)</u>	<u>1,102,237</u>	<u>(2,190,664)</u>	<u>1,280,898</u>
Amounts recognized in net assets without donor restrictions	(4,883,043)	2,248,189	(2,190,664)	2,623,075
Cumulative employer contributions in excess of net periodic benefit cost	<u>814,733</u>	<u>(3,796,450)</u>	<u>(18,761)</u>	<u>(3,944,706)</u>
Net amount recognized in the statement of financial position	<u>\$ (4,068,310)</u>	<u>\$ (1,548,261)</u>	<u>\$ (2,209,425)</u>	<u>\$ (1,321,631)</u>

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For the years ended June 30, 2019 and 2018, Audubon recognized pension and postretirement related changes other than net periodic benefit (costs) of \$(3,599,596) and \$3,475,771, respectively. Such amounts represent the change in the amounts reflected in unrestricted net assets for the years ended June 30, 2019 and 2018 and consist of \$(3,224,710) and \$3,700,723 for the Cash Balance Plan, respectively, and \$(374,886) and \$(224,952) for the Retiree Medical and Life plan, respectively.

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	2019		2018	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Net gain arising during period	\$ 3,796,494	\$ 70,596	\$ (3,138,834)	\$ (85,381)
Amortization of prior service credit	-	304,290	-	310,333
Amortization of actuarial loss	-	-	(561,889)	-
Effect of settlement	(1,104,115)	-	-	-
Change in net assets without donor restrictions	<u>\$ 2,692,379</u>	<u>\$ 374,886</u>	<u>\$ (3,700,723)</u>	<u>\$ 224,952</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ 2,326,554</u>	<u>\$ 238,769</u>	<u>\$ (3,457,143)</u>	<u>\$ 70,223</u>

There is no estimated actuarial loss and prior service credit for the Cash Balance Plan that will be amortized from the net asset without donor restrictions balance into net periodic benefit cost over the next fiscal year. The estimated actuarial gain and prior service credit 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 are \$(113,462) and \$(196,225), respectively.

The weighted average assumptions used to determine benefit obligations as of June 30, 2019 and 2018 consisted of the following:

	2019		2018	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Discount rate	3.20 %	3.03 %	3.99 %	3.87 %
Rate of compensation increase	N/A	N/A	N/A	N/A

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The weighted average assumptions used to determine net periodic benefit cost for the years ended June 30, 2019 and 2018 consisted of the following:

	2019		2018	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Discount rate	3.99 %	3.87 %	3.61 %	3.36 %
Expected return on plan assets	6.70 %	N/A	6.70 %	N/A
Medical cost trend rate	N/A	7.50 %	N/A	7.75 %

The assumed health care cost trend rate at June 30, 2019 and 2018 consisted of the following:

	2019		2018	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Health care cost trend rate assumed for next year	N/A	7.50 %	N/A	7.75 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	4.50 %	N/A	4.50 %
Year that the rate reaches the ultimate trend rate	N/A	2031	N/A	2031

Audubon expects to contribute approximately \$1,000,000 to its Cash Balance Plan and \$67,905 to its Retiree Medical and Life Plan during the year ended June 30, 2020.

Future benefit payments are expected to be as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Cash Balance Plan</u>	<u>Retiree Medical and Life Plan</u>
2020	\$ 1,876,000	\$ 68,000
2021	1,702,000	85,000
2022	1,722,000	77,000
2023	1,715,000	91,000
2024 to 2028	<u>10,414,000</u>	<u>872,000</u>
Total	<u>\$ 17,429,000</u>	<u>\$ 1,193,000</u>

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The weighted average asset allocation of the Cash Balance Plan as of June 30, 2019 and 2018 consisted of the following:

Cash and cash equivalents	1.97 %	2.14 %
Equities	43.42	39.36
Fixed income	12.36	11.97
Equities - International	28.01	31.74
Equities - Emerging Markets	4.35	3.81
Equities - Long/Short	0.00	0.37
Fixed income - Long/Short	9.89	10.61
	<u>100.00 %</u>	<u>100.00 %</u>

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.

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, 2019 and 2018 are classified within the fair value hierarchy in the tables as follows:

	2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equities	\$ 11,055,797	\$ -	\$ -	\$ 11,055,797
Fixed income	3,147,678	-	-	3,147,678
Equities - International	<u>7,133,084</u>	-	-	<u>7,133,084</u>
	<u>21,336,559</u>	-	-	<u>21,336,559</u>
Cash and cash equivalents				501,390
Investments measured at NAV				<u>3,626,803</u>
Total assets carried at fair value	<u>\$ 21,336,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,464,752</u>
	2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equities	\$ 11,257,686	\$ -	\$ -	\$ 11,257,686
Fixed income	3,424,179	-	-	3,424,179
Equities - International	<u>9,077,883</u>	-	-	<u>9,077,883</u>
	<u>23,759,748</u>	-	-	<u>23,759,748</u>
Cash and cash equivalents				612,039
Investments measured at NAV				<u>4,230,616</u>
Total assets carried at fair value	<u>\$ 23,759,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,602,403</u>

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The following table lists Audubon's Cash Balance Plan investments by major category, which are valued at NAV as of June 30, 2019 and 2018:

		2019					
Type	Strategy	Number of Funds	NAV in Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Equities - Emerging Markets	Seeks to maximize total return.	1	\$ 1,108,409	N/A	N/A	Redemptions can be made on Thursday (or first day NYSE is open if closed on a Thursday) with 10 business days notice.	N/A
Fixed Income Hedge Funds	Seeks to exploit structural and technical inefficiencies in the market, especially in the short-end of the yield curve, and to enhance returns through the use of hedging, modest leverage and select longer-term return investments.	1	1,183,206	N/A	N/A	Redemptions are available as of the last business day of the calendar quarter following the expiration of the applicable lock-up period by giving 120 days notice.	Redemptions will be permitted after an investor's first two (2) years of investment.
Fixed Income Hedge Funds	Seeks capital appreciation and current income by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial, or legal uncertainties.	1	1,335,188	N/A	N/A	Quarterly with 60 days notice	May redeem no more than 25% of the aggregate NAV of such shareholder's shares.
		<u>3</u>	<u>\$ 3,626,803</u>				
		2018					
Type	Strategy	Number of Funds	NAV in Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Equities - Emerging Markets	Seeks to maximize total return.	1	\$ 1,091,104	N/A	N/A	Redemptions can be made on Thursday (or first day NYSE is open if closed on a Thursday) with 10 business days notice.	N/A
Fixed Income Hedge Funds	Seeks to exploit structural and technical inefficiencies in the market, especially in the short-end of the yield curve, and to enhance returns through the use of hedging, modest leverage and select longer-term return investments.	1	1,431,765	N/A	N/A	Redemptions are available as of the last business day of the calendar quarter following the expiration of the applicable lock-up period by giving 120 days notice.	Redemptions will be permitted after an investor's first two (2) years of investment.
Fixed Income Hedge Funds	Seeks capital appreciation and current income by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial, or legal uncertainties.	1	1,602,152	N/A	N/A	Quarterly with 60 days notice	May redeem no more than 25% of the aggregate NAV of such shareholder's shares.
Limited Partnership	Seeks to enhance return by allocating primarily to fundamental long/short equity and opportunistic managers, protecting capital in down markets, and providing lower volatility compared to broad equity markets	1	105,595	N/A	N/A	Semi-annually with 90 days notice	N/A
		<u>4</u>	<u>\$ 4,230,616</u>				

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11. CHARITABLE TRUST AGREEMENTS

Beneficial interests in charitable trusts consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Held by third-party trustees	<u>\$ 37,342,203</u>	<u>\$ 41,387,667</u>
Held by Audubon as trustee:		
Charitable gift annuities	\$ 11,958,304	\$ 11,827,492
Pooled income fund	<u>1,354,439</u>	<u>1,323,945</u>
	<u>\$ 13,312,743</u>	<u>\$ 13,151,437</u>

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 \$3.7 million is not included in the accompanying consolidated statements as of June 30, 2019.

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 state-mandated 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 \$7,973,000 and \$7,842,000 as of June 30, 2019 and 2018, respectively.

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Beneficial interest in charitable trusts and obligations under charitable trusts held by third party trustees are designated as Level 3. The changes in assets and liabilities measured at fair value for which Audubon has used Level 3 inputs to determine fair value was as follows for the years ended June 30, 2019, and 2018. Separate of the below-denoted activity beneficial interest in charitable trusts, held by Audubon as the trustee generated investment income, are net of \$358,000 and \$934,000 for the years ended June 30, 2019, and 2018, respectively. Further, the obligation under charitable trusts demonstrated below applies to both the asset basis held by third parties and Audubon.

	Beneficial Interest in Charitable Trusts	Obligations Under Charitable Trusts
Balance at June 30, 2017	\$ 40,007,492	\$ 8,024,109
New agreements	-	556,129
Payments to annuitants	-	(793,181)
Trust distributions	(26,026)	-
Change in fair value of trust assets	1,588,152	-
Change in value due to actuarial valuations	<u>(181,951)</u>	<u>54,634</u>
Balance at June 30, 2018	41,387,667	7,841,691
New agreements	-	735,862
Payments to annuitants	-	(812,523)
Trust distributions	(276,821)	-
Change in fair value of trust assets	(3,924,875)	-
Change in value due to actuarial valuations	<u>156,232</u>	<u>207,862</u>
Balance at June 30, 2019	<u>\$ 37,342,203</u>	<u>\$ 7,972,892</u>

12. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Audubon receives significant unrestricted contributions from donors, 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, 2019 and 2018, Audubon generated positive cash flow from operations of \$3.2 million and \$8.6 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) of at one-half of its annual operating budget.

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The following table represents financial assets available within one year for general expenditure at June 30, 2019:

	<u>2019</u>
Cash and cash equivalents	\$ 52,973,757
Other receivables, net	9,807,179
Pledges receivable, net	25,235,123
Investments	<u>252,674,623</u>
	340,690,682
Less:	
Net assets with donor restrictions	<u>232,538,070</u>
Total financial assets available for general expenditure within one year	<u>\$ 108,152,612</u>

Included within the total financial assets available for general expenditure within one year of \$108.2 million is board-designated net assets of \$34.9 million which require board approval to be applied against general expenditures.

13. NATIONAL AUDUBON SOCIETY ACTION FUND

Included in the accompanying consolidated statements of financial position as of June 30, 2019 and accompanying consolidated statements of activities for the year then ended are the following amounts pertaining to Audubon Action Fund.

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
REVENUES			
Contributions and grants	\$ 94,607	\$ 1,507,718	\$ 1,602,325
Net assets released from restriction	<u>298,296</u>	<u>(298,296)</u>	<u>-</u>
Total revenue	<u>392,903</u>	<u>1,209,422</u>	<u>1,602,325</u>
EXPENSES			
Conservation programs:			
Field conservation programs	235,433	-	235,433
National conservation programs	<u>78,966</u>	<u>-</u>	<u>78,966</u>
Total program expense	<u>314,399</u>	<u>-</u>	<u>314,399</u>
Fundraising:			
Other development	<u>10,139</u>	<u>-</u>	<u>10,139</u>
Total development expense	10,139	-	10,139
Management and general	<u>35,002</u>	<u>-</u>	<u>35,002</u>
Total expenses	<u>359,540</u>	<u>-</u>	<u>359,540</u>
Changes in net assets from operations	33,363	1,209,422	1,242,785
Net assets, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 33,363</u>	<u>\$ 1,209,422</u>	<u>\$ 1,242,785</u>

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ASSETS

Cash and cash equivalents	\$	769,076
Pledges receivable, net		<u>709,422</u>
Total assets	\$	<u><u>1,478,498</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$	9,329
Intercompany payable		<u>226,384</u>
Total liabilities		<u><u>235,713</u></u>

NET ASSETS

Net assets without donor restrictions		33,363
Net assets with donor restrictions		<u>1,209,422</u>
Total net assets		<u><u>1,242,785</u></u>
Total liabilities and net assets	\$	<u><u>1,478,498</u></u>