

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

National Audubon Society, Inc.

June 30, 2021 and 2020

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GRANT THORNTON LLP

757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100

F +1 212 370 4520

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 subsidiaries, collectively ("Audubon"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 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 subsidiaries as of June 30, 2021 and 2020, 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 4, 2021

National Audubon Society, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 108,670,239	\$ 87,283,353
Other receivables, net	9,599,558	8,603,326
Prepaid expenses and other assets	3,804,782	2,522,258
Pledges receivable, net	20,447,787	24,639,730
Investments	286,843,499	239,312,735
Beneficial interest in charitable trusts	45,016,022	36,537,331
Building and equipment, net	42,961,703	44,455,924
Land	103,653,468	102,124,351
	<u>620,997,058</u>	<u>545,479,008</u>
Total assets	<u>\$ 620,997,058</u>	<u>\$ 545,479,008</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 16,111,613	\$ 11,905,954
Deferred rent, tuition and other	5,489,158	5,095,782
Funds held for others	4,512,432	2,889,475
Obligations under charitable trusts	8,253,340	8,102,224
Pension and postretirement benefit liability	456,124	2,960,700
	<u>34,822,667</u>	<u>30,954,135</u>
Total liabilities	<u>34,822,667</u>	<u>30,954,135</u>
Commitments and contingencies		
NET ASSETS		
Net assets without donor restrictions	270,186,311	247,241,394
Net assets with donor restrictions	315,988,080	267,283,479
	<u>586,174,391</u>	<u>514,524,873</u>
Total net assets	<u>586,174,391</u>	<u>514,524,873</u>
Total liabilities and net assets	<u>\$ 620,997,058</u>	<u>\$ 545,479,008</u>

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

National Audubon Society, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Operating activities			
Revenues, gains and other support			
Contributions and grants	\$ 61,516,980	\$ 29,905,097	\$ 91,422,077
Bequests	27,071,009	603,250	27,674,259
Earned income	4,217,671	-	4,217,671
Investment earnings on non-pooled funds, net	1,789,974	137	1,790,111
Investment earnings on pooled funds - appropriated, net	8,326,628	323,300	8,649,928
Other revenue	7,213,185	-	7,213,185
Net assets released from restrictions	30,550,327	(30,550,327)	-
Total revenues, gains and other support	140,685,774	281,457	140,967,231
Expenses			
Conservation programs			
Field conservation programs	68,212,818	-	68,212,818
National conservation programs	30,006,282	-	30,006,282
Total program expense	98,219,100	-	98,219,100
Fundraising			
Membership development	8,190,401	-	8,190,401
Other development	10,999,086	-	10,999,086
Total development expense	19,189,487	-	19,189,487
Management and general	6,112,358	-	6,112,358
Total expenses	123,520,945	-	123,520,945
Changes in net assets from operations	17,164,829	281,457	17,446,286
Non-operating activities			
Gain on sales of land, buildings and equipment	3,650	-	3,650
Investment gain on pooled funds not appropriated, net	7,557,839	36,619,888	44,177,727
Charitable trust additions	-	339,297	339,297
Change in value of charitable trusts	-	11,463,959	11,463,959
Changes in net assets before pension and postretirement related changes other than net periodic costs	24,726,318	48,704,601	73,430,919
Pension and postretirement related changes other than net periodic costs	(1,781,401)	-	(1,781,401)
Changes in net assets	22,944,917	48,704,601	71,649,518
Net assets, beginning of year	247,241,394	267,283,479	514,524,873
Net assets, end of year	\$ 270,186,311	\$ 315,988,080	\$ 586,174,391

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

National Audubon Society, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Operating activities			
Revenues, gains and other support			
Contributions and grants	\$ 62,649,912	\$ 27,658,300	\$ 90,308,212
Bequests	26,087,479	1,024,055	27,111,534
Earned income	8,041,691	-	8,041,691
Investment earnings on non-pooled funds, net	2,096,606	76,230	2,172,836
Investment earnings on pooled funds - appropriated, net	8,356,160	315,628	8,671,788
Other revenue	24,700,362	-	24,700,362
Net assets released from restrictions	31,630,219	(31,630,219)	-
	<u>163,562,429</u>	<u>(2,556,006)</u>	<u>161,006,423</u>
Expenses			
Conservation programs			
Field conservation programs	69,155,166	-	69,155,166
National conservation programs	32,264,392	-	32,264,392
	<u>101,419,558</u>	<u>-</u>	<u>101,419,558</u>
Fundraising			
Membership development	6,100,516	-	6,100,516
Other development	12,395,202	-	12,395,202
	<u>18,495,718</u>	<u>-</u>	<u>18,495,718</u>
Management and general	<u>6,121,230</u>	<u>-</u>	<u>6,121,230</u>
	<u>126,036,506</u>	<u>-</u>	<u>126,036,506</u>
Changes in net assets from operations	37,525,923	(2,556,006)	34,969,917
Non-operating activities			
Gain on sales of land, buildings and equipment	17,175	-	17,175
Investment loss on pooled funds not appropriated, net	(2,881,581)	(9,314,024)	(12,195,605)
Charitable trust additions	-	414,297	414,297
Change in value of charitable trusts	-	(1,436,061)	(1,436,061)
	<u>34,661,517</u>	<u>(12,891,794)</u>	<u>21,769,723</u>
Changes in net assets before pension and postretirement related changes other than net periodic costs	34,661,517	(12,891,794)	21,769,723
Pension and postretirement related changes other than net periodic costs	<u>(1,788,104)</u>	<u>-</u>	<u>(1,788,104)</u>
Changes in net assets	32,873,413	(12,891,794)	19,981,619
Net assets, beginning of year	<u>214,367,981</u>	<u>280,175,273</u>	<u>494,543,254</u>
Net assets, end of year	<u>\$ 247,241,394</u>	<u>\$ 267,283,479</u>	<u>\$ 514,524,873</u>

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

National Audubon Society, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Conservation Program Expenses			Fundraising Expenses				
	Field Programs	National Programs	Total Program Expenses	Membership Development	Other Development	Total Development Expenses	Management and General	Total
Salaries	\$ 33,010,883	\$ 12,498,182	\$ 45,509,065	\$ 1,045,468	\$ 6,974,307	\$ 8,019,775	\$ 2,500,822	\$ 56,029,662
Payroll taxes and fringe benefits	7,534,956	2,865,870	10,400,826	238,362	1,590,112	1,828,474	570,177	12,799,477
Travel and meetings	350,747	60,319	411,066	1,988	63,490	65,478	18,186	494,730
Postage and mailing	108,374	3,166,159	3,274,533	1,974,352	93,532	2,067,884	7,383	5,349,800
Grants and scholarships	3,735,151	483,494	4,218,645	6,379	39,177	45,556	30,135	4,294,336
Chapter grants and support	53,552	1,120,370	1,173,922	-	-	-	-	1,173,922
Professional services	11,433,523	4,879,567	16,313,090	2,083,408	1,267,609	3,351,017	1,065,069	20,729,176
Occupancy	2,589,842	334,472	2,924,314	194,754	346,811	541,565	759,147	4,225,026
Telecommunications	472,966	36,131	509,097	13,502	32,744	46,246	88,342	643,685
Maintenance and other rental fees	2,019,026	163,193	2,182,219	41,514	68,865	110,379	21,118	2,313,716
Supplies and equipment	1,574,017	281,318	1,855,335	56,827	95,791	152,618	321,987	2,329,940
Printing, promotion, and magazine	161,971	2,449,381	2,611,352	1,206,737	89,729	1,296,466	731	3,908,549
Membership fulfillment	-	470,468	470,468	535,907	75,760	611,667	-	1,082,135
Service bureaus	801,185	497,918	1,299,103	122,569	85,626	208,195	207,331	1,714,629
Insurance	1,072,301	43,148	1,115,449	5,533	20,923	26,456	294,781	1,436,686
Advertising	108,253	55,514	163,767	608,297	59,877	668,174	1,669	833,610
Subscriptions, dues, fees, and licenses	331,373	501,810	833,183	8,380	45,202	53,582	32,489	919,254
Depreciation and amortization	2,854,650	86,176	2,940,826	46,005	42,440	88,445	190,373	3,219,644
Other	48	12,792	12,840	419	7,091	7,510	2,618	22,968
Total expenses	\$ 68,212,818	\$ 30,006,282	\$ 98,219,100	\$ 8,190,401	\$ 10,999,086	\$ 19,189,487	\$ 6,112,358	\$ 123,520,945

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

National Audubon Society, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Conservation Program Expenses			Fundraising Expenses			Management and General	Total
	Field Programs	National Programs	Total Program Expenses	Membership Development	Other Development	Total Development Expenses		
Salaries	\$ 33,328,449	\$ 11,953,653	\$ 45,282,102	\$ 825,211	\$ 7,233,664	\$ 8,058,875	\$ 2,512,032	\$ 55,853,009
Payroll taxes and fringe benefits	7,216,806	2,600,080	9,816,886	178,594	1,565,966	1,744,560	543,660	12,105,106
Travel and meetings	1,907,763	988,633	2,896,396	31,127	539,600	570,727	328,914	3,796,037
Postage and mailing	135,201	3,566,095	3,701,296	1,306,980	105,623	1,412,603	10,185	5,124,084
Grants and scholarships	2,506,769	944,685	3,451,454	16,252	41,125	57,377	62,647	3,571,478
Chapter grants and support	43,457	1,175,105	1,218,562	-	-	-	-	1,218,562
Professional services	11,532,441	5,114,839	16,647,280	1,476,298	1,688,063	3,164,361	678,931	20,490,572
Occupancy	2,833,179	344,933	3,178,112	175,257	349,321	524,578	739,282	4,441,972
Telecommunications	571,743	39,254	610,997	12,688	17,471	30,159	79,567	720,723
Maintenance and other rental fees	1,841,051	135,180	1,976,231	24,579	89,876	114,455	94,306	2,184,992
Supplies and equipment	1,922,172	493,122	2,415,294	58,249	104,371	162,620	368,753	2,946,667
Printing, promotion, and magazine	253,457	2,961,168	3,214,625	878,604	133,720	1,012,324	550	4,227,499
Membership fulfillment	1,447	634,866	636,313	421,672	85,490	507,162	-	1,143,475
Service bureaus	743,291	356,278	1,099,569	83,576	223,070	306,646	180,119	1,586,334
Insurance	906,883	56,130	963,013	5,461	25,126	30,587	261,807	1,255,407
Advertising	134,247	30,313	164,560	550,498	50,898	601,396	105	766,061
Subscriptions, dues, fees, and licenses	318,268	555,695	873,963	12,996	80,716	93,712	65,855	1,033,530
Depreciation and amortization	2,833,253	179,886	3,013,139	42,474	46,596	89,070	178,884	3,281,093
Other	125,289	134,477	259,766	-	14,506	14,506	15,633	289,905
Total expenses	\$ 69,155,166	\$ 32,264,392	\$ 101,419,558	\$ 6,100,516	\$ 12,395,202	\$ 18,495,718	\$ 6,121,230	\$ 126,036,506

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

National Audubon Society, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 71,649,518	\$ 19,981,619
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,219,644	3,281,093
Donated land	(1,368,562)	-
Loss on disposals of land, buildings and equipment	177,704	428,463
Investments return, net	(54,439,680)	8,248,201
(Increase) decrease in beneficial interests in charitable trusts	(8,478,691)	804,872
Gains on sales of land, buildings and equipment	(3,650)	(17,175)
Change in provision for uncollectible receivables	40,089	(463,097)
Long-term contributions, bequests and additions to charitable trusts	(2,164,162)	(1,938,871)
Change in operating assets and liabilities:		
Decrease in pledges and other receivables	3,155,622	2,262,343
(Increase) decrease in prepaid expenses and other assets	(1,282,524)	957,790
Increase in accounts payable, accrued expenses, funds held for others and obligations under charitable trusts	5,979,732	269,511
Increase (decrease) in deferred rent, tuition and other	393,376	(1,622,753)
Decrease in pension and postretirement benefit liability	(2,504,576)	(2,655,871)
Net cash provided by operating activities	<u>14,373,840</u>	<u>29,536,125</u>
Cash flows from investing activities:		
Purchases of investments	(52,797,877)	(27,421,225)
Proceeds from sales of investments	59,706,793	32,534,912
Additions to land, buildings and equipment	(2,063,682)	(2,296,262)
Proceeds from sales of land, buildings and equipment	<u>3,650</u>	<u>17,175</u>
Net cash provided by investing activities	<u>4,848,884</u>	<u>2,834,600</u>
Cash flows from financing activities:		
Proceeds from contributions, bequests and charitable trusts restricted for:		
Endowment	351,970	1,054,389
Capital projects	1,472,895	470,185
Charitable trust additions	<u>339,297</u>	<u>414,297</u>
Net cash provided by financing activities	<u>2,164,162</u>	<u>1,938,871</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>21,386,886</u>	<u>34,309,596</u>
Cash and cash equivalents, beginning of the year	<u>87,283,353</u>	<u>52,973,757</u>
Cash and cash equivalents, end of the year	<u>\$ 108,670,239</u>	<u>\$ 87,283,353</u>

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

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

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

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 17 state and regional offices, 33 nature centers, 23 sanctuaries, greater than 450 independent chapters, and international partners throughout the hemisphere. In addition, Audubon is currently in the process of establishing additional chapters at more than 150 college campuses across the United States. 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 Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

National programs include:

- **Conservation Leadership** produces conservation strategies and leadership to address the needs of birds and the habitats they rely on across the Americas. National conservation leadership includes teams dedicated to each of the five strategies critical for birds: Climate, Coasts, Water, Working Lands, and Bird-Friendly Communities. In addition, the conservation leadership oversees Audubon's national policy, science and international teams. These programs are responsible for overseeing and coordinating the advancement of the conservation strategies and priorities, working with state offices, chapters, centers and other partners. Audubon has created an integrated tool to track progress toward our conservation goals for our five strategies.
- **Network** increases the capacity, diversity, connectedness and effectiveness of Audubon's network by working with staff in state offices and centers, and our independent chapters to develop tools and programs that advance our shared conservation priorities. The goal is to bring Audubon's conservation mission to life in communities through creative and relevant local action that achieves lasting outcomes and builds durable public support for birds and conservation. Audubon 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 2,756 Important Bird Areas covering approximately 435 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 million readers. Since April 2015, Audubon has owned and operated a digital app called the Audubon Bird Guide. The guide has been downloaded more than 1 million times, and advances Audubon's mission of educating people about birds.
- **Hemispheric Strategy** works through Audubon's office in Colombia and with partner organizations in Latin America to deliver concrete, on the ground actions that address critical threats to Audubon's priority bird species. Audubon provides science, technical expertise, policy support and capacity development tools to build effective conservation programs to reverse declines in bird populations, protect habitat and engage local communities. In addition to Colombia, Audubon works in the Bahamas, Belize, Chile, Mexico, and Panama.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

- ***Equity, Diversity, Inclusion and Belonging*** 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 17 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, 2021 and 2020, Audubon incurred joint costs of approximately \$10,529,000 and \$10,644,000, respectively, for informational material and activities that included development appeals. Of those costs, approximately \$4,450,000 and \$3,218,000 were allocated to fundraising and approximately \$6,079,000 and \$7,426,000 were allocated to programs for the years ended June 30, 2021 and 2020, respectively.

Management and general are those expenses that are not allocated to a program or fundraising activity and include certain activities of the Executive Office, as well as support areas such as Finance, Human Resources, Information 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 years ended June 30, 2021 and 2020, Audubon Action Fund reported \$1,118,748 and \$173,336 of revenue, respectively (see Note 13).

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, 2021 and 2020.

Chapters

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

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES BASIS OF ACCOUNTING

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

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

Audubon manages its investments on a total return basis and has established budgeted spending limits for specific endowment funds of 2.0%, 3% 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 \$299,000 and \$389,000 as of June 30, 2021 and 2020, respectively, which are valued at the lower of cost or market, on a first-in, first-out basis.

Charitable Trust Agreements

Audubon is the beneficiary of charitable trust agreements under varying terms and conditions. Audubon's interest in charitable remainder trusts, charitable remainder unitrusts, and other charitable trusts held by third-party trustees is reported at present value reflecting the fair value of the amounts Audubon expects to receive using discount rates ranging from 1.20% to 11.20% for both fiscal years 2021 and 2020.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 2021 and 2020.

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.

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

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

Land

Land consists of approximately 115,232 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

During the year ended June 30, 2020, Audubon adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional.

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

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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

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

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.

Other Revenue

Other revenue includes settlement revenue of approximately \$4.7 million and \$23 million as of June 30, 2021 and 2020, respectively. In the year ended June 30, 2020, Audubon was the charitable beneficiary in the settlement of a consumer class action against the manufacturer of tainted bird seed, and received approximately \$23 million and \$3.5 million as part of that settlement in the fiscal years ended June 30, 2020 and 2021, respectively. Audubon was not a litigant in the case but the beneficiary of a fund containing monies remaining after all claims had been paid to class action plaintiffs dedicated to charity. In the year ended June 30, 2021, Audubon also received the final payment for a property and economic damage claim.

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 \$1,207,000 and \$1,158,000 as of June 30, 2021 and 2020, respectively. Such estimated allowances are based on management's assessment of the credit worthiness of its donors, the aged basis of the receivables, and historical information. Receivables are written-off in the period they are deemed uncollectible and payments subsequently received are recorded as income in the period received.

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

Funds Held for Others

As of June 30, 2021 and 2020, funds held for others included approximately \$4,512,000 and \$2,889,000, respectively, in agency funds held for other organizations and independent Audubon chapters. Such amounts are included in investments and funds held for others in the accompanying consolidated statements of financial position.

Fair Value Measurements

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

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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

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

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

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

Income Taxes

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

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

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

Use of Estimates

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

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Operating Measure

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

Allocation of Functional Expenses

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

Concentrations

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

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

Subsequent Events

Audubon has evaluated, for potential recognition and disclosure, events subsequent to the consolidated statement of financial position date of June 30, 2021 through November 4, 2021, the date the consolidated financial statements were available to be issued. Audubon is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.

New Pronouncements

In February 2016, the FASB issued ASU 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 2023. 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.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. ASU 2020-07 will be effective for Audubon for fiscal year 2023. 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.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Reclassifications

Certain reclassifications were made to the fiscal 2020 consolidated financial statements in order to conform to the fiscal 2021 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets, as reflected in the fiscal 2020 consolidated financial statements.

NOTE 3 - NET ASSETS

The New York Prudent Management of Institutional Funds Act ("NYPMIFA") was enacted in 2010. Audubon has interpreted NYPMIFA as requiring the preservation of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Audubon classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in required to be held in perpetuity is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Audubon in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance 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.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 2021 and 2020, there were no donor-endowment funds whose fair value was below the original gift amount.

Changes in endowment net assets, excluding land to be held in perpetuity of approximately \$10,295,000 for the years ended June 30, 2021 and 2020, were as follows:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 29,812,810	\$ 151,844,173	\$ 181,656,983
Investment return, net	6,852,642	39,281,382	46,134,024
Amounts appropriated for expenditure	(1,661,352)	(4,667,068)	(6,328,420)
Contributions to endowments	500	99,149	99,649
Bequests	575,000	343,386	918,386
Additional amounts appropriated	(138,573)	(201,382)	(339,955)
Endowment net assets, end of year	<u>\$ 35,441,027</u>	<u>\$ 186,699,640</u>	<u>\$ 222,140,667</u>

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 34,908,103	\$ 157,654,096	\$ 192,562,199
Investment return, net	(1,027,665)	(2,348,424)	(3,376,089)
Amounts appropriated for expenditure	(1,135,066)	(4,665,888)	(5,800,954)
Contributions to endowments	-	230,694	230,694
Bequests	-	973,695	973,695
Additional amounts appropriated	(2,932,562)	-	(2,932,562)
Endowment net assets, end of year	<u>\$ 29,812,810</u>	<u>\$ 151,844,173</u>	<u>\$ 181,656,983</u>

Endowment net assets of \$222,140,667 and \$181,656,983 as of June 30, 2021 and 2020, respectively, are included within the investments and beneficial interest in charitable trusts in the accompanying consolidated statements of financial position.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Net assets with donor restriction as of June 30, 2021 and 2020 are available as shown below:

	2021	2020
Net assets with donor restriction		
Purpose restrictions		
Field conservation programs	\$ 263,860,622	\$ 224,905,278
National conservation programs	22,310,342	16,808,781
Time restrictions	29,817,116	25,569,420
	<u>315,988,080</u>	<u>267,283,479</u>
Total net assets with donor restriction	<u>\$ 315,988,080</u>	<u>\$ 267,283,479</u>

NOTE 4 - RECEIVABLES

Receivables consist of the following as of June 30, 2021 and 2020:

	2021	2020
Unconditional pledges receivable		
Less than one year	\$ 13,436,230	\$ 18,752,390
One year to five years	7,799,082	6,389,130
After five years	19,014	219,012
	21,254,326	25,360,532
Less: Allowance for uncollectible pledges	(806,539)	(720,802)
	<u>20,447,787</u>	<u>24,639,730</u>
Total pledges receivable, net	20,447,787	24,639,730
Other receivables (net of allowance of \$400,555 and \$437,426 at June 30, 2021 and 2020, respectively)	9,599,558	8,603,326
	<u>\$ 30,047,345</u>	<u>\$ 33,243,056</u>

Audubon received new conditional pledges of approximately \$750,000 and \$1,667,000 during the years ended June 30, 2021 and 2020, respectively. Audubon has recorded revenue of approximately \$1,915,000 and \$1,256,000 for the years ended June 30, 2021 and 2020, respectively, the extent to which the conditions on the pledges have been met. As of June 30, 2021 and 2020, Audubon had conditional pledges outstanding of approximately \$771,000 and \$1,936,000, respectively. Pledge payments due over the ensuing one to two years are conditional based on progress and reporting satisfactory to the donor.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 5 - INVESTMENTS

Audubon's investments consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 29,977,868	\$ 35,895,491
Equities	125,764,183	65,340,512
Fixed income	48,808,055	47,629,934
Real assets and commodities	10,370,034	8,076,454
Equities - international	22,090,782	36,385,795
Equities - emerging markets	11,583,065	8,134,318
Common trust funds	9,569,919	8,808,534
Fixed income - long/short	4,379,842	11,302,281
Fixed income - private	4,523,593	6,364,571
Real assets - private	5,191,938	3,357,577
Private equity	14,584,220	8,017,268
	<u>\$ 286,843,499</u>	<u>\$ 239,312,735</u>

As of June 30, 2021, concentrations of Audubon's investments in excess of 10% of the fair value of its portfolio included approximately 22% invested in the CF Blackrock MSCI USA IMI Ex Fossil Fuel Fund B, 12% in MFO TIAA-CREF FDS Core Impact BD FD INSTL CL, and 10% in MFB Nthn Instl FDS Govt Select Portfolio.

As of June 30, 2020, concentrations of Audubon's investments in excess of 10% of the fair value of its portfolio included approximately 15% invested in the MFB Nthn Instl FDS Govt Select Portfolio, 14% in MFO Baird FDS Inc Aggregate BD FD Instl CI SHS, and 13% in SPDR S&P 500 Fossil Fuel Rsrv Free ETF.

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

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Assets and liabilities measured at fair value at June 30, 2021 and 2020 are classified in the tables below in one of the two levels as follows:

		2021	
	Level 1	Level 3	Total
Assets carried at fair value			
Investments			
Equities	\$ 125,764,183	\$ -	\$ 125,764,183
Fixed income	48,808,055	-	48,808,055
Real assets and commodities	10,370,034	-	10,370,034
Equities - International	21,044,873	-	21,044,873
Equities - Emerging Markets	872,378	-	872,378
	<u>206,859,523</u>	<u>-</u>	<u>206,859,523</u>
Cash and cash equivalents	-	-	29,977,868
Investments measured at NAV	<u>-</u>	<u>-</u>	<u>50,006,108</u>
Total investments	-	-	286,843,499
Beneficial interest in charitable trusts	<u>-</u>	<u>45,016,022</u>	<u>45,016,022</u>
Total assets at fair value	<u>\$ 206,859,523</u>	<u>\$ 45,016,022</u>	<u>\$ 331,859,521</u>
Liabilities at fair value			
Obligations under charitable trusts	<u>\$ -</u>	<u>\$ 8,253,340</u>	<u>\$ 8,253,340</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 8,253,340</u>	<u>\$ 8,253,340</u>

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

	2020		
	Level 1	Level 3	Total
Assets carried at fair value			
Investments			
Equities	\$ 65,340,512	\$ -	\$ 65,340,512
Fixed income	47,629,934	-	47,629,934
Real assets and commodities	8,076,454	-	8,076,454
Equities - International	22,609,616	-	22,609,616
Equities - Emerging Markets	84,740	-	84,740
	<u>143,741,256</u>	<u>-</u>	<u>143,741,256</u>
Cash and cash equivalents	-	-	35,895,491
Investments measured at NAV	-	-	59,675,988
	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	-	-	239,312,735
Beneficial interest in charitable trusts	-	36,537,331	36,537,331
	<u>-</u>	<u>36,537,331</u>	<u>36,537,331</u>
Total assets at fair value	<u>\$ 143,741,256</u>	<u>\$ 36,537,331</u>	<u>\$ 275,850,066</u>
Liabilities at fair value			
Obligations under charitable trusts	\$ -	\$ 8,102,224	\$ 8,102,224
	<u>-</u>	<u>8,102,224</u>	<u>8,102,224</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 8,102,224</u>	<u>\$ 8,102,224</u>

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.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The following tables list investments valued at NAV as of June 30, 2021 and 2020:

2021							
Name/Type	Strategy	Number of Funds	NAV of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Equities - Emerging Markets	Seeks to maximize total return.	1	\$ 10,710,687	N/A	N/A	10 business days notice.	N/A
	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	3,179,075	N/A	N/A	Quarterly with 60 days notice	May redeem no more than 25% of the of the aggregate NAV of such shareholder's shares.
Private Equity	Venture capital and private equity	10	12,499,428	1, 7-10, 8-11, 10, 10-12, 13 years	9,425,699	Illiquid	Not permitted to withdraw.
Fixed Income - Long/Short	Seeks to achieve superior risk-adjusted returns through opportunistic investments across the credit spectrum.	1	1,200,767	N/A	N/A	Semi-annually with 90 days notice.	N/A
Fixed Income - Private	Aims to build a portfolio of direct loans, using conservative leverage, and earn a return premium from an initial public offering, safe, or other liquidity events in four to six years.	1	856,436	5 years	2,145,610	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 credits assets, (ii) structured products, securitization and other asset-backed securities backed by assets or 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	3,667,157	4-6 years	670,630	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	1,856,399	5-7 years	944,871	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, Russel 2000 Index, MSCI EAFE Index and S&P MidCap 400 Index.	12	10,615,828	N/A	N/A	Daily/Monthly	N/A
Fixed Income - Private	TCS is targeting 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	2,084,792	8 years	2,000,662	Illiquid	Not permitted to withdraw.
Real Assets - Private	Brookfield 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 50% non-U.S. investments and can include both large scale portfolios of properties as well as individual properties.	1	2,243,766	8 years	1,310,844	Illiquid	Not permitted to withdraw.
Real Assets - Private	Aims to acquire land with high conservation significance, typically streams and wetlands that have been degraded in some way and need substantial work to restore. EIP restores properties according to top environmental standards and protects them permanently through perpetual conservation easements and deed restrictions.	1	327,027	11 years	815,400	Illiquid	Not permitted to withdraw.
Real Assets - Private	Aims to acquire land with high conservation significance, typically streams and wetlands that have been degraded in some way and need substantial work to restore. The fund restores properties according to top environmental standards and protects them permanently through perpetual conservation easements and deed restrictions.	3	764,746	11 years	2,656,981	Illiquid	Not permitted to withdraw.
		35	\$ 50,006,108		\$ 19,970,697		

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

For the year ended June 30, 2020, Audubon had further committed to \$5.8 million in investments, but there were no requirements to fund any capital calls on those investments at that date. All other unfunded commitments are disclosed in the table below.

2020							
Name/Type	Strategy	Number of Funds	NAV of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Equities - Emerging Markets	Seeks to maximize total return.	1	8,049,578	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	13,776,179	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	4,992,035	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	5,188,255	N/A	N/A	Quarterly with 60 days notice	May redeem no more than 25% of the of the aggregate NAV of such shareholder's share
Private Equity	Venture capital and private equity	8	6,714,052	1-2, 8-12, 14 years	\$ 7,039,403	Illiquid	Not permitted to withdraw.
Fixed Income - Long/Short	Seeks to achieve superior risk-adjusted returns through opportunistic investments across the credit spectrum.	1	1,120,299	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	1,692	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	2,742,125	0 years	-	Illiquid	Not permitted to withdraw.
Fixed Income - Private	Aims to build a portfolio of direct loans, using conservative leverage, and earn a return premium from an initial public offering, sale, or other liquidity events in four to six years.	1	163,680	6 years	2,820,000	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	3,458,766	5-7 years	670,630	Illiquid	Not permitted to withdraw.
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.	1	1,303,216	9 years	2,292,768	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, Russel 2000 Index, MSCI EAFE Index and S&P MidCap 400 Index.	11	8,808,534	N/A	N/A	Daily/Monthly	N/A
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	2,037,048	6-8 years	1,316,867	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	1,269,857	9 years	2,181,213	Illiquid	Not permitted to withdraw.
Real Assets - Private	Aims to acquire land with high conservation significance, typically streams and wetlands that have been degraded in some way and need substantial work to restore. The fund restores properties according to top environmental standards and protects them permanently through perpetual conservation easements and deed restrictions.	1	50,672	12 years	1,099,200	Illiquid	Not permitted to withdraw.
		32	\$ 59,675,988		\$ 17,420,081		

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 6 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Buildings and building improvements	\$ 51,661,380	\$ 48,523,521
Equipment	12,805,193	12,608,912
Leasehold improvements	23,127,736	23,221,382
Construction in progress (see Note 9)	4,419,750	6,332,456
Artwork	<u>425,753</u>	<u>425,753</u>
	92,439,812	91,112,024
Less: Accumulated depreciation and amortization	<u>(49,478,109)</u>	<u>(46,656,100)</u>
Buildings and equipment, net	<u>\$ 42,961,703</u>	<u>\$ 44,455,924</u>
Land	<u>\$ 103,653,468</u>	<u>\$ 102,124,351</u>

Included in net assets with donor restrictions is land to be held in perpetuity of approximately \$10,295,000 as of both June 30, 2021 and 2020 (see Note 3). Included in net assets without donor restrictions is land of approximately \$93,358,000 and \$91,829,000 as of June 30, 2021 and 2020, 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, 2021 and 2020 totaled approximately \$1,529,000 and \$37,000, respectively.

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions during the years ended June 30, 2021 and 2020 in satisfaction of donor time and use restrictions as follows:

	<u>2021</u>	<u>2020</u>
Program restrictions		
Field conservation programs	\$ 28,670,672	\$ 28,530,816
National conservation programs	<u>1,879,655</u>	<u>3,099,403</u>
	<u>\$ 30,550,327</u>	<u>\$ 31,630,219</u>

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 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 \$1,413,787 and \$124,349 for the years ended June 30, 2021 and 2020, respectively, and is reflected in the accompanying consolidated financial statements as contribution revenue and applicable functional expenses or capitalized assets, as appropriate.

NOTE 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, 2021:

	Base Rent	Operating Expenses	Total
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
2025	1,425,000	767,000	2,192,000
2026	1,425,000	833,000	2,258,000
Thereafter	2,019,000	1,288,000	3,307,000
	<u>\$ 8,981,000</u>	<u>\$ 4,820,000</u>	<u>\$ 13,801,000</u>

As of June 30, 2021 and 2020, Audubon substituted a standby letter of credit in the amount of \$273,211 in lieu of a security deposit for its office lease. As required by Audubon's bank, a certificate of deposit with a balance of \$274,060 and \$274,057 as of June 30, 2021 and 2020, 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, 2027. Future minimum annual rental commitments under operating leases are approximately as follows for years subsequent to June 30, 2021:

2022	\$ 1,141,000
2023	407,000
2024	175,000
2025	83,000
2026	83,000
Thereafter	21,000
	<u>\$ 1,910,000</u>

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 2021 and 2020 is a liability of approximately \$3,854,000 and \$4,170,000, 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, 2021 and 2020 amounted to approximately \$3,320,000 and \$3,434,000, respectively.

During the year ended June 30, 2012, Audubon began leasing personal computers on three-year leases. The future three-year total commitments were \$317,944 and \$289,856 as of June 30, 2021 and 2020, 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, 2021 and 2020, Audubon had remaining commitments on construction and related agreements amounting to approximately \$5,277,000 and \$1,319,000, respectively.

Audubon is invested in several limited partnerships under which Audubon is committed to make capital contributions in future periods totaling \$19,970,697 and \$ 17,420,081 as of June 30, 2021 and 2020, 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.

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.

NOTE 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 five years of service at December 31, 1997 were grandfathered and receive a benefit based on a final average pay formula. Plan participants at January 1, 1998 who were not grandfathered had an opening balance established based on their accrued benefit at December 31, 1997. For the period between December 31, 1997 and June 30, 2010, the participant account was credited with an amount equal to 3% (4% for the 2000 plan year) of the participant's eligible earnings. In addition, interest is credited each year using the applicable interest rate, determined each January 1, based on short-term interest rates in effect at the end of the prior year. Benefits generally are available to employees upon retirement. The plan was

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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.

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

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

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, 2021 and 2020, Audubon contributed approximately \$3,723,000 and \$3,382,000, respectively, to this retirement plan.

457(b) Plan

Audubon maintains a deferred compensation plan to provide certain employees with the benefit of additional tax-deferred retirement savings opportunities. The annual 457(b) deferral limitation for calendar years 2021 and 2020 was \$19,500. 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.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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

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

The following table sets forth the plan's funded status and benefit obligation at June 30, 2021 and 2020:

	2021		2020	
	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	\$ 16,435,846	\$ 243,946	\$ 29,533,062	\$ 1,548,261
Service cost	-	-	-	123,122
Interest cost	381,545	6,657	912,540	39,095
Participant contributions and retiree drug subsidy	-	208,689	-	67,806
Amendments	-	-	-	(1,193,335)
Actuarial (gain)/loss	(573,624)	13,746	2,274,150	(261,058)
Benefits paid and expenses	(410,708)	(257,146)	(1,455,978)	(79,945)
Settlements	(3,656,828)	-	(14,827,928)	-
Benefit obligation - end of year	<u>12,176,231</u>	<u>215,892</u>	<u>16,435,846</u>	<u>243,946</u>
Change in plan assets				
Fair value of plan assets - beginning of year	13,719,092	-	25,464,752	-
Actual return	513,909	-	2,480,562	-
Employer contributions	2,000,000	48,457	3,000,000	12,139
Participant contributions and retiree drug subsidy	-	208,689	-	67,806
Benefits paid	(410,708)	(257,146)	(1,455,978)	(79,945)
Settlements	(3,886,294)	-	(15,770,244)	-
Fair value of plan assets - end of year	<u>11,935,999</u>	<u>-</u>	<u>13,719,092</u>	<u>-</u>
Funded status	<u>\$ (240,232)</u>	<u>\$ (215,892)</u>	<u>\$ (2,716,754)</u>	<u>\$ (243,946)</u>
Accumulated benefit obligation	<u>\$ 12,176,231</u>	<u>\$ 215,892</u>	<u>\$ 16,435,846</u>	<u>\$ 243,946</u>

Amounts recognized as a liability in the accompanying consolidated statements of financial position consisted of the following as of June 30, 2021 and 2020:

	2021		
	Cash Balance Plan	Retiree Medical and Life Plan	Total
Accrued benefit liability	<u>\$ 240,232</u>	<u>\$ 215,892</u>	<u>\$ 456,124</u>

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

	2020		
	Cash Balance Plan	Retiree Medical and Life Plan	Total
Accrued benefit liability	\$ 2,716,754	\$ 243,946	\$ 2,960,700

The following table provides the components of net periodic benefit cost for the plans for the years ended June 30, 2021 and 2020:

	2021		2020	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Service cost	\$ 85,966	\$ -	\$ 228,860	\$ 123,122
Interest cost	381,545	6,657	912,540	39,095
Expected return on plan assets	(581,571)	-	(1,693,956)	-
Amortization of prior service credit	-	(949,727)	-	(196,225)
Amortization of net loss/(gain)	422,674	(409,729)	467,249	(119,185)
Curtailment gain	-	(1,193,335)	-	-
Net periodic benefit cost (credit)	\$ 308,614	\$ (2,546,134)	\$ (85,307)	\$ (153,193)

The components of the unfunded liability as of June 30, 2021 and 2020 but not yet reflected in net periodic benefit cost consisted of the following:

	2021		2020	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Prior service credit	\$ -	\$ -	\$ -	\$ 2,143,062
Accumulated (loss)/gain	(1,964,551)	1,047,265	(3,376,550)	1,470,739
Amounts recognized in net assets without donor restrictions	(1,964,551)	1,047,265	(3,376,550)	3,613,801
Cumulative employer contributions in excess of net periodic benefit cost	1,724,319	(1,263,157)	659,796	(3,857,747)
Net amount recognized in the consolidated statement of financial position	\$ (240,232)	\$ (215,892)	\$ (2,716,754)	\$ (243,946)

For the years ended June 30, 2021 and 2020, Audubon recognized pension and postretirement related changes other than net periodic benefit (costs) of \$(1,781,401) and \$(1,788,104), respectively. Such amounts represent the change in the amounts reflected in net assets without donor restrictions for the years ended June 30, 2021 and 2020 and consist of \$785,136 and \$(1,733,751) for the Cash Balance Plan, respectively, and \$(2,566,537) and \$(54,353), respectively, for the Retiree Medical and Life plan.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the years ended June 30, 2021 and 2020 are as follows:

	2021		2020	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Net (gain)/loss arising during period	\$ (591,928)	\$ 13,746	\$ 1,258,684	\$ (261,057)
Amortization of prior service credit	-	1,359,456	-	315,410
Amortization of actuarial loss	(422,674)	-	(467,249)	-
Effect of settlement/curtailment	(397,397)	1,193,335	(2,297,928)	-
Change in net assets without donor restrictions	<u>\$ (1,411,999)</u>	<u>\$ 2,566,537</u>	<u>\$ (1,506,493)</u>	<u>\$ 54,353</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ (1,103,385)</u>	<u>\$ 20,403</u>	<u>\$ (1,591,800)</u>	<u>\$ (98,840)</u>

The estimated actuarial loss for the Cash Balance Pension Plan that will be amortized from the net asset without donor restrictions balance into net periodic benefit cost over the next fiscal year is \$467,249, and there is no amortization pursuant to a prior service cost or credit. 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 \$(352,466) and \$(1,928,460), respectively.

The weighted-average assumptions used to determine benefit obligations as of June 30, 2021 and 2020 consisted of the following:

	2021		2020	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Discount rate	2.53%	1.08%	2.38%	0.85%
Rate of compensation increase	N/A	N/A	N/A	N/A

The weighted-average assumptions used to determine net periodic benefit cost for the years ended June 30, 2021 and 2020 consisted of the following:

	2021		2020	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Discount rate	2.38%	0.85%	3.20%	3.03%
Expected return on plan assets	4.10%	N/A	4.10%	N/A
Medical cost trend rate	N/A	7.00%	N/A	7.50%

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The assumed health care cost trend rate at June 30, 2021 and 2020 consisted of the following:

	2021		2020	
	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	7.00%	N/A	7.50%
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 \$500,000 to its Cash Balance Plan and \$40,534 to its Retiree Medical and Life Plan during the year ended June 30, 2022.

Future benefit payments are expected to be as follows:

Fiscal year ending June 30,	Cash Balance Plan	Retiree Medical and Life Plan
2022	\$ 629,000	\$ 41,000
2023	576,000	49,000
2024	565,000	41,000
2025	610,000	28,000
2026	609,000	20,000
2027 to 2031	3,240,000	40,000
Total	\$ 6,229,000	\$ 219,000

The weighted-average asset allocation of the Cash Balance Plan as of June 30, 2021 and 2020 consisted of the following:

	2021	2020
Cash and cash equivalents	27.48%	21.57%
Equities	15.26	9.76
Fixed income	54.25	52.29
Fixed income - Long/Short	3.01	16.38
	100.00%	100.00%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 2021 and 2020 are classified within the fair value hierarchy in the tables as follows:

	2021	
	Level 1	Level 3
Investments		
Equities	\$ 1,821,362	\$ -
Fixed income	6,475,539	-
	<u>8,296,901</u>	<u>-</u>
Cash and cash equivalents		3,280,027
Investments measured at NAV		<u>359,071</u>
Total assets carried at fair value		<u>\$ 11,935,999</u>

	2020	
	Level 1	Level 3
Investments		
Equities	\$ 1,309,480	\$ -
Fixed income	7,017,314	-
	<u>8,326,794</u>	<u>-</u>
Cash and cash equivalents		2,894,137
Investments measured at NAV		<u>2,198,805</u>
Total assets carried at fair value		13,419,736
less refund receivable		
Refund receivable		<u>299,356</u>
Total assets carried at fair value		<u>\$ 13,719,092</u>

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

The following table lists Audubon's Cash Balance Plan investments by major category, which are valued at NAV as of June 30, 2021 and 2020:

2021							
Type	Strategy	Number of funds	NAV of funds	Remaining life	\$ Amount of unfunded commitments	Redemption terms	Redemption restrictions
Fixed Income Helge 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	\$ 359,071	N/A	N/A	Quarterly with 60 days notice Shares are redeemable as of the last day of each quarter with notice given as of the last day of the first calendar month in the applicable fiscal quarter.	May redeem no more than 25% of the aggregate NAV of such shareholder's shares.
		<u>1</u>	<u>\$ 359,071</u>				
2020							
Type	Strategy	Number of funds	NAV of funds	Remaining life	\$ Amount of unfunded commitments	Redemption terms	Redemption restrictions
Fixed Income Helge 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	\$ 1,068,336	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 Helge 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	1,130,469	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>2</u>	<u>\$ 2,198,805</u>				

NOTE 11 - CHARITABLE TRUST AGREEMENTS

Beneficial interests in charitable trusts consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Held by third-party trustees	<u>\$ 45,016,022</u>	<u>\$ 36,537,331</u>
Held by Audubon as trustee		
Charitable gift annuities	\$ 13,757,829	\$ 10,912,439
Pooled income fund	<u>1,420,779</u>	<u>1,225,528</u>
	<u>\$ 15,178,608</u>	<u>\$ 12,137,967</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 approximately \$3.7 million is not included in the accompanying consolidated statements as of June 30, 2021 and 2020.

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.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 \$8,253,000 and \$8,102,000 as of June 30, 2021 and 2020, respectively.

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, 2021 and 2020. Separate of the below-denoted activity, beneficial interest in charitable trusts, held by Audubon as the trustee generated investment gain (loss), are presented net of \$3,173,000 and \$(346,000) for the years ended June 30, 2021, and 2020, 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	Obligation Under Charitable Trusts
Balance at June 30, 2019	\$ 37,342,203	\$ 7,972,892
New agreements	-	991,907
Payments to annuitants	-	(800,422)
Trust distributions	(3,071)	-
Change in fair value of trust assets	(992,649)	-
Change in value due to actuarial valuations	190,848	(62,153)
	<hr/>	<hr/>
Balance at June 30, 2020	36,537,331	8,102,224
New agreements	-	696,561
Payments to annuitants	-	(812,578)
Trust distributions	(10,817)	-
Change in fair value of trust assets	8,978,488	-
Change in value due to actuarial valuations	(488,980)	267,133
	<hr/>	<hr/>
Balance at June 30, 2021	<u>\$ 45,016,022</u>	<u>\$ 8,253,340</u>

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Audubon receives significant contributions from donors without restrictions, as well as grants and contributions that are restricted for major programs that are ongoing and central to its operations. These funds are generally available to meet cash needs for general expenditures. For the years ended June 30, 2021 and 2020, Audubon generated positive cash flow from operations of approximately \$14.4 million and \$29.5 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.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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

The following table represents financial assets available within one year for general expenditure at June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 108,670,239	\$ 87,283,353
Other receivables, net	9,599,558	8,603,326
Pledges receivable, net	20,447,787	24,639,730
Investments	<u>286,843,499</u>	<u>239,312,735</u>
	425,561,083	359,839,144
Less		
Net assets with donor restrictions, except for beneficial interest in charitable trust and land with donor restrictions	<u>260,677,058</u>	<u>220,451,148</u>
Total financial assets available for general expenditure within one year	<u>\$ 164,884,025</u>	<u>\$ 139,387,996</u>

Included within the total financial assets available for general expenditure within one-year is board-designated net assets of which \$35.4 million and \$29.8 million require board approval to be applied against general expenditures for the years ended June 30, 2021 and 2020, respectively.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 13 - NATIONAL AUDUBON SOCIETY ACTION FUND

Included in the accompanying consolidated statements of financial position as of June 30, 2021 and June 30, 2020 and accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to Audubon Action Fund.

	2021	2020
	<hr/>	<hr/>
ASSETS		
Cash and cash equivalents	\$ 1,252,552	\$ 501,246
Pledges receivable, net	<hr/> 153,599	<hr/> 484,232
	<hr/>	<hr/>
Total assets	<hr/> \$ 1,406,151	<hr/> \$ 985,478
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 178,872	\$ 26,928
Intercompany payable	<hr/> 203,152	<hr/> 81,305
	<hr/>	<hr/>
Total liabilities	<hr/> 382,024	<hr/> 108,233
	<hr/>	<hr/>
NET ASSETS		
Net assets without donor restrictions	332,671	314,534
Net assets with donor restrictions	<hr/> 691,456	<hr/> 562,711
	<hr/>	<hr/>
Total net assets	<hr/> 1,024,127	<hr/> 877,245
	<hr/>	<hr/>
Total liabilities and net assets	<hr/> \$ 1,406,151	<hr/> \$ 985,478
	<hr/>	<hr/>

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

		2021	
	Without Donor Restriction	With Donor Restriction	Total
Revenues			
Contributions and grants	\$ 761,127	\$ 357,621	\$ 1,118,748
Net assets released from restriction	228,876	(228,876)	-
Total revenue	990,003	128,745	1,118,748
Expenses			
Conservation programs:			
Field conservation programs	228,686	-	228,686
National conservation programs	707,449	-	707,449
Total program expense	936,135	-	936,135
Fundraising			
Other development	24,000	-	24,000
Total development expense	24,000	-	24,000
Management and general	11,731	-	11,731
Total expenses	971,866	-	971,866
Changes in net assets from operations	18,137	128,745	146,882
Net assets, beginning of year	314,534	562,711	877,245
Net assets, end of year	\$ 332,671	\$ 691,456	\$ 1,024,127

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Revenues			
Contributions and grants	\$ 148,525	\$ 24,811	\$ 173,336
Net assets released from restriction	671,522	(671,522)	-
Total revenue	820,047	(646,711)	173,336
Expenses			
Conservation programs:			
Field conservation programs	63,304	-	63,304
National conservation programs	432,286	-	432,286
Total program expense	495,590	-	495,590
Fundraising			
Other development	32,464	-	32,464
Total development expense	32,464	-	32,464
Management and general	10,822	-	10,822
Total expenses	538,876	-	538,876
Changes in net assets from operations	281,171	(646,711)	(365,540)
Net assets, beginning of year	33,363	1,209,422	1,242,785
Net assets, end of year	\$ 314,534	\$ 562,711	\$ 877,245