

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

National Audubon Society, Inc.

June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

We have audited the consolidated financial statements of National Audubon Society, Inc. and subsidiaries ("Audubon"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Audubon as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

Grant Thornton LLP

New York, New York
November 18, 2022

National Audubon Society, Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 104,475,535	\$ 108,670,239
Other receivables, net	16,465,399	9,599,558
Prepaid expenses and other assets	2,388,188	3,804,782
Pledges receivable, net	21,521,843	20,447,787
Investments	248,678,161	286,843,499
Beneficial interest in charitable trusts	37,060,292	45,016,022
Building and equipment, net	42,043,708	42,961,703
Land	<u>102,624,197</u>	<u>103,653,468</u>
Total assets	<u><u>\$ 575,257,323</u></u>	<u><u>\$ 620,997,058</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 13,461,645	\$ 16,111,613
Deferred rent, tuition and other	5,142,573	5,489,158
Funds held for others	4,716,380	4,512,432
Obligations under charitable trusts	7,868,900	8,253,340
Pension and postretirement benefit liability	<u>207,343</u>	<u>456,124</u>
Total liabilities	<u>31,396,841</u>	<u>34,822,667</u>
Commitments and contingencies		
NET ASSETS		
Net assets without donor restrictions	260,498,590	270,186,311
Net assets with donor restrictions	<u>283,361,892</u>	<u>315,988,080</u>
Total net assets	<u>543,860,482</u>	<u>586,174,391</u>
Total liabilities and net assets	<u><u>\$ 575,257,323</u></u>	<u><u>\$ 620,997,058</u></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, 2022

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

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

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 of financial assets and grants	\$ 60,103,193	\$ 29,905,097	\$ 90,008,290
Contributions of nonfinancial assets	1,413,787	-	1,413,787
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)	-
	<u>140,685,774</u>	<u>281,457</u>	<u>140,967,231</u>
Expenses			
Conservation programs			
Field conservation programs	68,212,818	-	68,212,818
National conservation programs	30,006,282	-	30,006,282
	<u>98,219,100</u>	<u>-</u>	<u>98,219,100</u>
Fundraising			
Membership development	8,190,401	-	8,190,401
Other development	10,999,086	-	10,999,086
	<u>19,189,487</u>	<u>-</u>	<u>19,189,487</u>
Management and general	<u>6,112,358</u>	<u>-</u>	<u>6,112,358</u>
Total expenses	<u>123,520,945</u>	<u>-</u>	<u>123,520,945</u>
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
Pension and postretirement related changes other than net periodic costs	(1,781,401)	-	(1,781,401)
	<u>22,944,917</u>	<u>48,704,601</u>	<u>71,649,518</u>
Changes in net assets	<u>247,241,394</u>	<u>267,283,479</u>	<u>514,524,873</u>
Net assets, beginning of year	<u>247,241,394</u>	<u>267,283,479</u>	<u>514,524,873</u>
Net assets, end of year	<u>\$ 270,186,311</u>	<u>\$ 315,988,080</u>	<u>\$ 586,174,391</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, 2022

	Conservation Program Expenses			Fundraising Expenses			Management and General	Total
	Field Programs	National Programs	Total Program Expenses	Membership Development	Other Development	Total Development Expenses		
Salaries	\$ 37,869,264	\$ 12,226,771	\$ 50,096,035	\$ 1,156,658	\$ 7,014,006	\$ 8,170,664	\$ 3,466,984	\$ 61,733,683
Payroll taxes and fringe benefits	10,032,429	3,242,728	13,275,157	306,165	1,856,592	2,162,757	917,703	16,355,617
Travel and meetings	1,286,964	420,726	1,707,690	15,450	401,881	417,331	361,319	2,486,340
Postage and mailing	91,714	3,388,274	3,479,988	2,424,801	125,503	2,550,304	11,093	6,041,385
Grants and scholarships	4,869,664	486,924	5,356,588	3,532	13,210	16,742	9,266	5,382,596
Chapter grants and support	27,500	1,060,105	1,087,605	-	-	-	-	1,087,605
Professional services	16,532,714	7,285,953	23,818,667	2,544,776	1,664,488	4,209,264	1,207,338	29,235,269
Occupancy	2,645,634	316,953	2,962,587	204,724	343,446	548,170	761,493	4,272,250
Telecommunications	453,156	44,105	497,261	13,184	19,068	32,252	69,230	598,743
Maintenance and other rental fees	2,490,046	313,364	2,803,410	39,716	157,860	197,576	(33,373)	2,967,613
Supplies & Equipment	2,454,413	462,176	2,916,589	77,928	113,552	191,480	298,138	3,406,207
Printing, promotion, and magazine	160,551	2,480,340	2,640,891	1,466,492	87,455	1,553,947	1,445	4,196,283
Membership fulfillment	708	751,008	751,716	792,186	73,729	865,915	-	1,617,631
Service bureaus	905,306	490,374	1,395,680	143,453	78,994	222,447	148,960	1,767,087
Insurance	1,287,697	52,144	1,339,841	6,469	35,927	42,396	259,223	1,641,460
Advertising	87,270	9,581	96,851	916,834	52,072	968,906	2,155	1,067,912
Subscriptions, dues, fees, and licenses	316,899	542,789	859,688	14,583	73,306	87,889	38,487	986,064
Depreciation and amortization	2,856,307	81,747	2,938,054	46,970	39,288	86,258	175,140	3,199,452
Other	1,121,710	884	1,122,594	177	9,384	9,561	1,161	1,133,316
Total expenses	\$ 85,489,946	\$ 33,656,946	\$ 119,146,892	\$ 10,174,098	\$ 12,159,761	\$ 22,333,859	\$ 7,695,762	\$ 149,176,513

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			Management and General	Total
	Field Programs	National Programs	Total Program Expenses	Membership Development	Other Development	Total Development Expenses		
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 STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ (42,313,909)	\$ 71,649,518
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,199,452	3,219,644
Donated land	-	(1,368,562)
Loss on disposals of land, buildings and equipment	1,281,811	177,704
Investments return, net	31,086,465	(54,439,680)
(Increase) decrease in beneficial interests in charitable trusts	7,955,730	(8,478,691)
Gains on sales of land, buildings and equipment	(810,249)	(3,650)
Change in provision for uncollectible receivables	1,328,673	40,089
Long-term contributions, bequests and additions to charitable trusts	(4,384,555)	(2,164,162)
Change in operating assets and liabilities:		
(Increase) decrease in pledges and other receivables	(9,268,570)	3,155,622
(Increase) decrease in prepaid expenses and other assets	1,416,594	(1,282,524)
Increase (decrease) in accounts payable, accrued expenses, funds held for others and obligations under charitable trusts	(2,830,460)	5,979,732
Increase (decrease) in deferred rent, tuition and other	(346,585)	393,376
Decrease in pension and postretirement benefit liability	(248,781)	(2,504,576)
Net cash (used in) provided by operating activities	<u>(13,934,384)</u>	<u>14,373,840</u>
Cash flows from investing activities:		
Purchases of investments	(212,161,220)	(52,797,877)
Proceeds from sales of investments	219,240,092	59,706,793
Additions to land, buildings and equipment	(2,533,996)	(2,063,682)
Proceeds from sales of land, buildings and equipment	<u>810,249</u>	<u>3,650</u>
Net cash provided by investing activities	<u>5,355,125</u>	<u>4,848,884</u>
Cash flows from financing activities:		
Proceeds from contributions, bequests and charitable trusts restricted for:		
Endowment	472,563	351,970
Capital projects	3,731,033	1,472,895
Charitable trust additions	<u>180,959</u>	<u>339,297</u>
Net cash provided by financing activities	<u>4,384,555</u>	<u>2,164,162</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,194,704)	21,386,886
Cash and cash equivalents, beginning of the year	<u>108,670,239</u>	<u>87,283,353</u>
Cash and cash equivalents, end of the year	<u><u>\$ 104,475,535</u></u>	<u><u>\$ 108,670,239</u></u>

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

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

Audubon is a powerful distributed network of 16 state and regional offices, 33 nature centers, 23 sanctuaries, greater than 450 independent chapters, and international partners throughout the hemisphere. In addition, Audubon currently works with students on over 160 college campuses, including campus chapters, affiliate groups and student ambassadors. Audubon works throughout the Americas using science, advocacy, education, and on-the-ground conservation. State programs, 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 work to make coastlines across the hemisphere more resilient to support populations of seabirds, shorebirds and coastal communities while preserving the breeding, stopover and wintering habitat in the places that birds need.
2. **Natural Solutions and Working Lands:** Audubon works with landowners, land managers, public and private stakeholders, and government agencies to create bird friendly, sustainable land-management practices on the millions of acres across the hemisphere that are dedicated to agriculture, forestry and public lands.
3. **Water:** Audubon works to ensure that critical rivers, wetlands, streams and estuaries that are under stress from drought, flooding or water quality issues, get the clean water needed to support healthy habitat for resident and migratory birds. Audubon also advocates for water policies and projects that make water resources more resilient for birds and people.
4. **Climate:** Audubon seeks to protect the places birds need in a warming world, and advocate for significant public policy changes by tapping our unparalleled network and bipartisan membership to support solutions at the state and local levels. Audubon is working on solutions to counteract the effects of climate change and achieve net-zero emissions by 2050.
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, 2022 and 2021

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, Natural Solutions and Working Lands, and Bird-Friendly Communities. In addition, the conservation leadership oversees Audubon's national policy, network, 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 conservation leader. Science establishes common metrics to track progress across initiatives and flyways, including biological response of species, and acres of habitat restored, protected or managed, and also develops conservation blueprints prioritizing places for on-the-ground conservation. Science leads three programmatic areas: community science, including the annual Christmas bird count; climate science that characterizes the threat of climate and identifies the actions needed to address climate change for the benefit of birds and people; and the migratory bird initiative that works to secure the future of migratory birds in the Western Hemisphere by reducing direct threats and protecting key places across the Americas in coordination with science, conservation and policy partners.
- **Policy** uses a 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; identification of 2,500 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** work is managed from our Washington DC office and through Audubon's office in Colombia, independent contractors and partner organizations in Latin America are engaged 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 and manage habitat and engage local communities. In addition to Colombia, Audubon works in Canada, The Bahamas, Belize, Chile, Mexico and Panama.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

- **Equity, Diversity, Inclusion and Belonging (EDIB)** Audubon seeks to embody EDIB throughout our organization to ensure alignment between internal culture, policies and programs and our conservation goals. As a strategic imperative, Audubon recognizes that the core of this alignment is an engaged and diverse staff who can set and work towards conservation goals that build a brighter future for birds and people. Audubon's equity, inclusion and belonging efforts seek to meaningfully engage with historically disenfranchised communities through community engagement, leadership development and diverse partnerships with an aim of inspiring more people to work and conserve more habitats. Audubon is dedicated to providing a work environment that prioritizes equity, fairness and respect, and a workplace free of any kind of discrimination based on race, color, religion, sex, age, sexual orientation, gender identity and expression, disability, national or ethnic origin, politics or veteran status.

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

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

Field Conservation Programs operate Audubon's 16 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, 2022 and 2021, Audubon incurred joint costs of approximately \$12,513,000 and \$10,529,000, respectively, for informational material and activities that included development appeals. Of those costs, approximately \$5,779,000 and \$4,450,000 were allocated to fundraising and approximately \$6,734,000 and \$6,079,000 were allocated to programs for the years ended June 30, 2022 and 2021, respectively.

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

Organizational Structure and Consolidation

The consolidated financial statements include the accounts of Audubon Action Fund. All intercompany accounts and transactions have been eliminated. In the fiscal years ended June 30, 2022 and 2021, Audubon Action Fund reported \$1,053,350 and \$1,118,748 of revenue, respectively (see Note 13).

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022 and 2021.

Chapters

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES BASIS OF ACCOUNTING

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

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 year-end market values, subject to limitations where applicable under donor restrictions or regulatory requirements.

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Prepaid Expenses and Other Assets

Prepaid expenses and other assets include inventories of retail store merchandise of approximately \$285,000 and \$299,000 as of June 30, 2022 and 2021, 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 2022 and 2021.

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 2022 and 2021.

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 115,645 acres on which some of Audubon's nature centers, state offices, and sanctuaries are located. Land is valued at cost when purchased or, if donated, at fair value on the date of donation.

Contributions and Grants

Audubon applies Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* to 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to be overcome, Audubon accounts for such transactions as conditional contract and grants and recognizes revenue when the related barrier to entitlement has been overcome.

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

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

Contributions of nonfinancial assets

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

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

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

As of June 30, 2022, other revenue includes mitigation income of approximately \$2.2 million for carbon offset credits on various parcels of forestry tracts. As of June 30, 2021, other revenue includes settlement revenue of approximately \$4.7 million. 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 \$3.5 million as part of that settlement in the fiscal year ended June 30, 2021. 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 \$2,530,000 and \$1,207,000 as of June 30, 2022 and 2021, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Funds Held for Others

As of June 30, 2022 and 2021, funds held for others included approximately \$4,716,000 and \$4,512,000, respectively, in agency funds held for other organizations and independent Audubon chapters. Such amounts are included in investments and funds held for others in the accompanying consolidated statements of financial position.

Fair Value Measurements

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

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

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

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

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.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

Use of Estimates

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

Operating Measure

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

Allocation of Functional Expenses

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

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, 2022 through November 18, 2022, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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. Audubon adopted the new guidance in fiscal year 2022 and applied it retrospectively, as required. The adoption of this standard did not have a material impact on Audubon's consolidated financial statements.

Reclassifications

Certain reclassifications were made to the fiscal 2021 consolidated financial statements in order to conform to the fiscal 2022 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses, or changes in net assets, as reflected in the fiscal 2021 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

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

- Where appropriate, alternatives to spending from donor-restricted endowment funds and the possible effects on Audubon.

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

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires Audubon to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature, if they occurred, are reported in net assets with donor restrictions. As of June 30, 2022 and 2021, 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, 2022 and 2021, were as follows:

Endowment and quasi-endowment funds consisted of the following at June 30, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Fiscal year 2022:			
Donor restricted	\$ -	\$ 160,411,564	\$ 160,411,564
Board designated	30,235,612	-	30,235,612
	<u>\$ 30,235,612</u>	<u>\$ 160,411,564</u>	<u>\$ 190,647,176</u>
Total			
	<u>\$ 30,235,612</u>	<u>\$ 160,411,564</u>	<u>\$ 190,647,176</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Fiscal year 2021:			
Donor restricted	\$ -	\$ 186,699,640	\$ 186,699,640
Board designated	35,441,027	-	35,441,027
	<u>\$ 35,441,027</u>	<u>\$ 186,699,640</u>	<u>\$ 222,140,667</u>
Total			
	<u>\$ 35,441,027</u>	<u>\$ 186,699,640</u>	<u>\$ 222,140,667</u>

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 35,441,027	\$ 186,699,640	\$ 222,140,667
Investment return, net	(3,576,883)	(22,175,335)	(25,752,218)
Amounts appropriated for expenditure	(1,628,532)	(4,715,304)	(6,343,836)
Contributions to endowments	-	137,825	137,825
Bequests	-	164,738	164,738
Transfers in	-	300,000	300,000
Endowment net assets, end of year	<u>\$ 30,235,612</u>	<u>\$ 160,411,564</u>	<u>\$ 190,647,176</u>
	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>

Endowment net assets of \$190,647,176 and \$222,140,667 as of June 30, 2022 and 2021, respectively, are included within the investments and beneficial interest in charitable trusts in the accompanying consolidated statements of financial position.

Net assets with donor restriction as of June 30, 2022 and 2021 are available as shown below:

	2022	2021
Net assets with donor restriction		
Purpose restrictions		
Field conservation programs	\$ 235,242,624	\$ 263,860,622
National conservation programs	21,677,858	22,310,342
Time restrictions	<u>26,441,410</u>	<u>29,817,116</u>
Total net assets with donor restriction	<u>\$ 283,361,892</u>	<u>\$ 315,988,080</u>

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 4 - RECEIVABLES

Receivables consist of the following as of June 30, 2022 and 2021:

	2022	2021
Unconditional pledges receivable		
Less than one year	\$ 14,664,177	\$ 13,436,230
One year to five years	8,986,657	7,799,082
After five years	-	19,014
	23,650,834	21,254,326
Less: Allowance for uncollectible pledges	(2,128,991)	(806,539)
	21,521,843	20,447,787
Other receivables (net of allowance of \$400,555 at June 30, 2022 and 2021)	16,465,399	9,599,558
	<u>\$ 37,987,242</u>	<u>\$ 30,047,345</u>

Audubon received new conditional pledges of approximately \$2,324,000 and \$750,000 during the years ended June 30, 2022 and 2021, respectively. Audubon has recorded revenue of approximately \$50,000 and \$1,915,000 for the years ended June 30, 2022 and 2021, respectively, the extent to which the conditions on the pledges have been met. As of June 30, 2022 and 2021, Audubon had conditional pledges outstanding of approximately \$2,296,000 and \$771,000, 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

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NOTE 5 - INVESTMENTS

Audubon's investments consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 23,712,587	\$ 29,977,868
Equities	93,922,966	125,764,183
Fixed income	27,201,232	48,808,055
Real assets and commodities	13,756	10,370,034
Equities - international	21,460,840	22,090,782
Equities - emerging markets	466,388	11,583,065
Common trust funds	8,602,132	9,569,919
Fixed income - long/short	554,155	4,379,842
Fixed income - private	6,581,129	4,523,593
Real assets - private	5,171,749	5,191,938
Private equity	60,991,227	14,584,220
	<u>\$ 248,678,161</u>	<u>\$ 286,843,499</u>

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

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.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Assets and liabilities measured at fair value at June 30, 2022 and 2021 are classified in the tables below in one of the two levels as follows:

	2022		
	Level 1	Level 3	Total
Assets carried at fair value			
Investments			
Equities	\$ 18,640,446	\$ -	\$ 18,640,446
Fixed income	27,201,232	-	27,201,232
Real assets and commodities	13,756	-	13,756
Equities - International	13,960,840	-	13,960,840
Equities - Emerging markets	466,388	-	466,388
	60,282,662	-	60,282,662
Cash and cash equivalents	-	-	23,712,587
Investments measured at NAV	-	-	157,182,912
Investments receivable	-	-	7,500,000
	-	-	248,678,161
Total investments	-	-	248,678,161
Beneficial interest in charitable trusts	-	37,060,292	37,060,292
	-	37,060,292	37,060,292
Total assets at fair value	\$ 60,282,662	\$ 37,060,292	\$ 285,738,453
Liabilities at fair value			
Obligations under charitable trusts	\$ -	\$ 7,868,900	\$ 7,868,900
	-	7,868,900	7,868,900
Total liabilities at fair value	\$ -	\$ 7,868,900	\$ 7,868,900

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

	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>

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

June 30, 2022 and 2021

The following tables list investments valued at NAV as of June 30, 2022 and 2021:

2022							
Name/Type	Strategy	Number of Funds	NAV of Funds	Remaining Life	Unfunded Commitments (\$)	Redemption Terms	Redemption Restrictions
Equities	The team seeks to avoid pitfalls they believe are commonly associated with either fundamentals-based or quantitative based investing such as limited coverage and frequent trading, respectively.	1	\$ 25,000,000	N/A	\$ -	Weekly with 10 days notice	N/A
Equities	Long-biased investment strategy, aiming to outperform the market over the long term.	3	44,200,567	N/A	-	Every 3 years on anniversary of purchase. Monthly on the last Business Day Monthly with 4 days notice	Liquidity of 10% available in years 1 & 2 and 7.5% in year 3. Remainder available at the end of the lock-up period Each withdrawal request must be in the minimum amount of \$100,000 One year hard lock-up with a 25% Monthly gate
Equities	The Clean Energy Fund strategy will target industrials in 40%-60% of the portfolio and utilities in 30%-40%, as the producers of key products & the owners of infrastructure should benefit from structural change during the transition to low-carbon energy.	1	6,081,953	N/A	-	At least 45 Calendar days' notice	No more than 25% of the Limited Partner's Capital Account
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	3,193,366	4 Years	-	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	3,387,763	3-5 years	670,630	Illiquid	Not permitted to withdraw.
Common Trust Funds	The objectives of the funds are to approximate the performance of various indices such as the S&P 500 Index, Russell 2000 Index, MSCI EAFE Index and S&P MidCap 400 Index.	12	8,602,132	N/A	N/A	Daily/Monthly	N/A
Fixed Income - Long/Short	Seeks to achieve superior risk-adjusted returns through opportunistic investments across the credit spectrum.	1	554,155	N/A	N/A	Semi-annually with 90 days notice	N/A
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 and can include both large scale portfolios of properties as well as individual properties.	1	3,064,410	7 Years	903,247	Illiquid	Not permitted to withdraw
Real Assets - Private	Related is an opportunistic real estate fund that invests in traditional property types in major markets across the US. The Fund is targeting a gross IRR of 18-20% (net IRR of 13-15%) utilizing approximately 50-70% leverage.	3	1,246,089	10 Years	2,214,836	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	861,250	4-6 Years	944,871	Illiquid	Not permitted to withdraw.
Private Equity	Hedge-Fund - Equity	24	34,664,719	N/A	-	Monthly; Quarterly; Illiquid	N/A; 10-25% investor-level gate; Not Permitted to Withdraw
Private Equity and Venture Capital	Private Equity and Venture Capitals	20	26,326,508	0, 6-9, 9-11, 12	15,805,388	Illiquid	Not permitted to withdraw
		69	\$ 157,182,912		\$ 20,538,972		

For the year ended June 30, 2022, Audubon had further committed to \$6.3 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 above.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

2021							
Name/Type	Strategy	Number of Funds	NAV of Funds	Remaining Life	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, 2022 and 2021

NOTE 6 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at June 30, 2022 and 2021:

	2022	2021
Buildings and building improvements	\$ 53,078,931	\$ 51,661,380
Equipment	13,058,984	12,805,193
Leasehold improvements	23,079,862	23,127,736
Construction in progress (see Note 9)	4,725,375	4,419,750
Artwork	425,753	425,753
	<u>94,368,905</u>	<u>92,439,812</u>
Less: Accumulated depreciation and amortization	<u>(52,325,197)</u>	<u>(49,478,109)</u>
Buildings and equipment, net	<u>\$ 42,043,708</u>	<u>\$ 42,961,703</u>
Land	<u>\$ 102,624,197</u>	<u>\$ 103,653,468</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, 2022 and 2021 (see Note 3). Included in net assets without donor restrictions is land of approximately \$92,329,000 and \$93,358,000 as of June 30, 2022 and 2021, 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, 2022 and 2021 totaled approximately \$0 and \$1,529,000, respectively. Out of the \$1,529,000, \$165,000 was for land purchases and \$1,364,000 for donated land.

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions during the years ended June 30, 2022 and 2021 in satisfaction of donor time and use restrictions as follows:

	2022	2021
Program restrictions		
Field conservation programs	\$ 29,965,447	\$ 28,670,672
National conservation programs	<u>1,721,000</u>	<u>1,879,655</u>
	<u>\$ 31,686,447</u>	<u>\$ 30,550,327</u>

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 8 - GIFTS OF NONFINANCIAL ASSETS

For the years ended June 30, 2022 and 2021, Audubon received gifts of nonfinancial assets of approximately \$4,905,353 and \$1,413,787, respectively.

Included in gifts of nonfinancial assets for 2022 is approximately \$4.8 million of donated services, in the form of technology licenses, which provide a platform for Audubon to create, analyze, and map geospatial data, including for use by Audubon's landmark app, the Bird Migration Explorer. The licenses were valued based on quoted prices from the provider. \$2.4 million of the \$4.8 million was recognized in the Statement of Activities and was utilized in programmatic activities, and \$2.4 million as a receivable as of June 30, 2022. The remaining approximate \$67,000 is comprised of various donated goods and services primarily used in program work. Included in 2021 is donated land of approximately \$1.4 million, valued based on independent appraisals, and utilized in programmatic activities. There were no donor-imposed restrictions associated with the contributed nonfinancial assets in both years.

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, 2022:

	Base Rent	Operating Expenses	Total
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
2027	1,425,000	901,000	2,326,000
Thereafter	594,000	387,000	981,000
	<u>\$ 7,671,000</u>	<u>\$ 4,234,000</u>	<u>\$ 11,905,000</u>

As of June 30, 2022 and 2021, 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 as of June 30, 2022 and 2021, is included in prepaid expenses and other assets in the accompanying consolidated statements of financial position and secures this letter of credit.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022:

2023	\$	1,004,000
2024		666,000
2025		569,000
2026		517,000
2027		109,000
		<hr/>
	\$	<u>2,865,000</u>

Rent credits and charges are accounted for on a straight-line basis over the life of the lease. Included in deferred rent, tuition, and other on the accompanying consolidated statements of financial position as of June 30, 2022 and 2021 is a liability of approximately \$3,553,000 and \$3,854,000, 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, 2022 and 2021 amounted to approximately \$3,308,000 and \$3,320,000, respectively.

Audubon has three-year leases on its personal computers. The future three-year total commitments were \$270,162 and \$317,944 as of June 30, 2022 and 2021, 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, 2022 and 2021, Audubon had remaining commitments on construction and related agreements amounting to approximately \$2,845,000 and \$5,277,000 respectively.

Audubon is invested in several limited partnerships under which Audubon is committed to make capital contributions in future periods totaling 20,538,972 and \$19,970,697 as of June 30, 2022 and 2021, 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.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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

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

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, 2022 and 2021, Audubon contributed approximately \$3,337,000 and \$3,723,000, 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 2022 and 2021 was \$20,500 and \$19,500, respectively. This plan is entirely funded by employee salary deferrals. Plan assets and liabilities pertaining to the 457(b) plan are \$1.5 million and \$1.7 million as

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

of June 30, 2022 and 2021, respectively, which are immaterial to the accompanying consolidated financial statements, and have not been recognized on Audubon's Statement of Financial Position.

Retiree Medical and Life Plan

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

In January 2020, the plan was amended to limit eligibility to full-time employees who by December 31, 2020 are: (1) at least 60 years of age; (2) have attained 10 years of service; and (3) are enrolled in Audubon's medical coverage at the time of their retirement. Thereafter, the retiree medical plan 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, 2022 and 2021:

	2022		2021	
	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	\$ 12,176,231	\$ 215,892	\$ 16,435,846	\$ 243,946
Service cost	-	-	-	-
Interest cost	299,434	1,663	381,545	6,657
Participant contributions and retiree drug subsidy	-	78,089	-	208,689
Actuarial (gain)/loss	(1,479,019)	(13,518)	(573,624)	13,746
Benefits paid and expenses	(605,210)	(118,623)	(410,708)	(257,146)
Settlements	-	-	(3,656,828)	-
Benefit obligation - end of year	10,391,436	163,503	12,176,231	215,892
Change in plan assets				
Fair value of plan assets - beginning of year	11,935,999	-	13,719,092	-
Actual return	(1,483,193)	-	513,909	-
Employer contributions	500,000	40,534	2,000,000	48,457
Participant contributions and retiree drug subsidy	-	78,089	-	208,689
Benefits paid	(605,210)	(118,623)	(410,708)	(257,146)
Settlements	-	-	(3,886,294)	-
Fair value of plan assets - end of year	10,347,596	-	11,935,999	-
Funded status	\$ (43,840)	\$ (163,503)	\$ (240,232)	\$ (215,892)
Accumulated benefit obligation	\$ 10,391,436	\$ 163,503	\$ 12,176,231	\$ 215,892

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Amounts recognized as a liability in the accompanying consolidated statements of financial position consisted of the following as of June 30, 2022 and 2021:

	2022		
	Cash Balance Plan	Retiree Medical and Life Plan	Total
Accrued benefit liability	\$ 43,840	\$ 163,503	\$ 207,343

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

The following table provides the components of net periodic benefit cost for the plans for the years ended June 30, 2022 and 2021:

	2022		2021	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Service cost	\$ 153,663	\$ -	\$ 85,966	\$ -
Interest cost	299,434	1,663	381,545	6,657
Expected return on plan assets	(309,600)	-	(581,571)	-
Amortization of prior service credit	-	-	-	(949,727)
Amortization of net loss/(gain)	167,473	(438,323)	422,674	(409,729)
Curtailment gain	-	-	-	(1,193,335)
Net periodic benefit cost (credit)	\$ 310,970	\$ (436,660)	\$ 308,614	\$ (2,546,134)

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The components of the unfunded liability as of June 30, 2022 and 2021 but not yet reflected in net periodic benefit cost consisted of the following:

	2022		2021	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Prior service credit	\$ -	\$ -	\$ -	\$ -
Accumulated (loss)/gain	<u>(1,957,189)</u>	<u>622,459</u>	<u>(1,964,551)</u>	<u>1,047,265</u>
Amounts recognized in net assets without donor restrictions	(1,957,189)	622,459	(1,964,551)	1,047,265
Cumulative employer contributions in excess of net periodic benefit cost	<u>1,913,349</u>	<u>(785,962)</u>	<u>1,724,319</u>	<u>(1,263,157)</u>
Net amount recognized in the consolidated statement of financial position	<u>\$ (43,840)</u>	<u>\$ (163,503)</u>	<u>\$ (240,232)</u>	<u>\$ (215,892)</u>

For the years ended June 30, 2022 and 2021, Audubon recognized pension and postretirement related changes other than net periodic benefit (costs) of \$(417,443) and \$(1,781,401), respectively. Such amounts represent the change in the amounts reflected in net assets without donor restrictions for the years ended June 30, 2022 and 2021 and consist of \$7,362 and \$785,136 for the Cash Balance Plan, respectively, and \$(424,805) and \$(2,566,537), respectively, for the Retiree Medical and Life plan.

Other changes in plan assets and benefit obligations recognized in the change in net assets without donor restrictions for the years ended June 30, 2022 and 2021 are as follows:

	2022		2021	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Net (gain)/loss arising during period	\$ 160,111	\$ (13,518)	\$ (591,928)	\$ 13,746
Amortization of prior service credit	-	438,323	-	1,359,456
Amortization of actuarial loss	(167,473)	-	(422,674)	-
Effect of settlement/curtailment	<u>-</u>	<u>-</u>	<u>(397,397)</u>	<u>1,193,335</u>
Change in net assets without donor restrictions	<u>\$ (7,362)</u>	<u>\$ 424,805</u>	<u>\$ (1,411,999)</u>	<u>\$ 2,566,537</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ 303,608</u>	<u>\$ (11,855)</u>	<u>\$ (1,103,385)</u>	<u>\$ 20,403</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 \$208,647, and there is no amortization pursuant to a prior service cost or credit. The estimated actuarial gain for the Retiree Medical and Life Plan that will be amortized from the net asset without donor restrictions balance into net periodic benefit cost over the next fiscal year is \$(259,021) and there is no amortization of prior service cost.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The weighted-average assumptions used to determine benefit obligations as of June 30, 2022 and 2021 consisted of the following:

	2022		2021	
	Cash Balance Plan	Retiree Medical and Life Plan	Cash Balance Plan	Retiree Medical and Life Plan
Discount rate	4.36%	3.70%	2.53%	1.08%
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, 2022 and 2021 consisted of the following:

	2022		2021	
	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%
Expected return on plan assets	2.60%	N/A	4.10%	N/A
Medical cost trend rate	N/A	7.00%	N/A	7.00%

The assumed health care cost trend rate at June 30, 2022 and 2021 consisted of the following:

	2022		2021	
	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	7.00%
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	2032	N/A	2031

Audubon contributed approximately \$500,000 to its Cash Balance Plan and \$48,316 to its Retiree Medical and Life Plan during the year ended June 30, 2022.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Future benefit payments are expected to be as follows:

<u>Fiscal year ending June 30,</u>	<u>Cash Balance Plan</u>	<u>Retiree Medical and Life Plan</u>
2023	\$ 644,000	\$ 48,000
2024	583,000	41,000
2025	635,000	27,000
2026	627,000	17,000
2027	652,000	13,000
2028 to 2032	3,440,000	28,000
Total	<u>\$ 6,581,000</u>	<u>\$ 174,000</u>

The weighted-average asset allocation of the Cash Balance Plan as of June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	36.28%	27.48%
Equities	15.30	15.26
Fixed income	48.42	54.25
Fixed income - Long/Short	-	3.01
	<u>100.00%</u>	<u>100.00%</u>

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

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

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The fair value hierarchy defines three levels, as further described in Note 2. Cash Balance Plan assets measured at fair value at June 30, 2022 and 2021 are classified within the fair value hierarchy in the tables as follows:

		2022	
		Level 1	Total
Investments			
Equities		\$ 1,582,838	\$ 1,582,838
Fixed income		5,010,482	5,010,482
		<u>6,593,320</u>	<u>6,593,320</u>
Cash and cash equivalents			<u>3,754,276</u>
Total assets carried at fair value			<u>\$ 10,347,596</u>

		2021	
		Level 1	Total
Investments			
Equities		\$ 1,821,362	\$ 1,821,362
Fixed income		6,475,539	6,475,539
		<u>8,296,901</u>	<u>8,296,901</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>

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

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>				

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 11 - CHARITABLE TRUST AGREEMENTS

Beneficial interests in charitable trusts consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Held by third-party trustees	\$ 37,060,292	\$ 45,016,022
Held by Audubon as trustee		
Charitable gift annuities	\$ 11,564,770	\$ 13,757,829
Pooled income fund	981,869	1,420,779
	\$ 12,546,639	\$ 15,178,608

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 \$3.8 million and \$4.6 million is not included in the accompanying consolidated statements as of June 30, 2022 and 2021, respectively.

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

As trustee of certain trusts, Audubon has an obligation to make periodic payments to beneficiaries. Obligations under charitable trusts amounted to approximately \$7,869,000 and \$8,253,000 as of June 30, 2022 and 2021, respectively.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022 and 2021. 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 \$(1,465,000) and \$3,173,000 for the years ended June 30, 2022 and 2021, 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, 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	<u>(488,980)</u>	<u>267,133</u>
Balance at June 30, 2021	45,016,022	8,253,340
New agreements	-	374,877
Payments to annuitants	-	(817,375)
Trust distributions	(50,000)	-
Change in fair value of trust assets	(8,466,798)	-
Change in value due to actuarial valuations	<u>561,068</u>	<u>58,058</u>
Balance at June 30, 2022	<u>\$ 37,060,292</u>	<u>\$ 7,868,900</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, 2022 and 2021, Audubon's cash flow used in and generated from operations were approximately \$(13.9) million and \$14.4 million, respectively.

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

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

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The following table represents financial assets available within one year for general expenditure at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 104,475,535	\$ 108,670,239
Other receivables, net	16,465,399	9,599,558
Pledges receivable, net	21,521,843	20,447,787
Investments	<u>248,678,161</u>	<u>286,843,499</u>
	391,140,938	425,561,083
Less		
Net assets with donor restrictions, except for beneficial interest in charitable trust and land with donor restrictions	<u>236,006,600</u>	<u>260,677,058</u>
Total financial assets available for general expenditure within one year	<u>\$ 155,134,338</u>	<u>\$ 164,884,025</u>

Included within the total financial assets available for general expenditure within one-year is board-designated net assets of which \$30.2 million and \$35.4 million require board approval to be applied against general expenditures for the years ended June 30, 2022 and 2021, respectively.

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 13 - NATIONAL AUDUBON SOCIETY ACTION FUND

Included in the accompanying consolidated statements of financial position as of June 30, 2022 and June 30, 2021 and accompanying consolidated statements of activities for the years then ended are the following amounts pertaining to Audubon Action Fund.

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 730,172	\$ 1,252,552
Pledges receivable, net	<u>67,073</u>	<u>153,599</u>
Total assets	<u>\$ 797,245</u>	<u>\$ 1,406,151</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 157,615	\$ 178,872
Intercompany payable	<u>92,608</u>	<u>203,152</u>
Total liabilities	<u>250,223</u>	<u>382,024</u>
NET ASSETS		
Net assets without donor restrictions	181,131	332,671
Net assets with donor restrictions	<u>365,891</u>	<u>691,456</u>
Total net assets	<u>547,022</u>	<u>1,024,127</u>
Total liabilities and net assets	<u>\$ 797,245</u>	<u>\$ 1,406,151</u>

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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

National Audubon Society, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

	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