

Audubon Society of Western Pennsylvania

Financial Statements

Years Ended June 30, 2023 and 2022
with Independent Auditor's Report

MaherDuessel

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AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

YEARS ENDED JUNE 30, 2023 AND 2022

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Independent Auditor's Report

**Board of Directors
Audubon Society of Western Pennsylvania**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Audubon Society of Western Pennsylvania (Society), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 the Society, 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern within one year after the date that 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 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the Society'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society'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.

Maher Duessel

Pittsburgh, Pennsylvania
November 6, 2023

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 686,414	\$ 141,480
Accounts receivable	131,645	15,492
Contributions receivable	536,954	469,666
Inventories	133,140	132,569
Investments	989,809	903,239
Fixed assets, net of accumulated depreciation	7,737,355	7,946,578
Total Assets	\$ 10,215,317	\$ 9,609,024
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 152,673	\$ 46,875
Accrued expenses	68,891	54,952
Deferred revenue	67,159	67,583
Total Liabilities	288,723	169,410
Net Assets:		
Without donor restrictions:		
Undesignated	7,902,286	7,970,929
Board-designated:		
Land acquisitions	22,878	22,878
Projects	4,118	6,783
Endowment	284,720	224,515
Total net assets without donor restrictions	8,214,002	8,225,105
With donor restrictions:		
Purpose restrictions	1,033,926	535,843
Perpetual in nature	678,666	678,666
Total net assets with donor restrictions	1,712,592	1,214,509
Total Net Assets	9,926,594	9,439,614
Total Liabilities and Net Assets	\$ 10,215,317	\$ 9,609,024

See accompanying notes to financial statements.

**AUDUBON SOCIETY OF
WESTERN PENNSYLVANIA**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Nature store sales	\$ 699,001	\$ -	\$ 699,001
Cost of sales	(406,282)	-	(406,282)
Gross profit	292,719	-	292,719
Fundraising, contributions, and grants - general	645,921	972,533	1,618,454
Rental income	367,785	-	367,785
Education and support program fees	386,225	-	386,225
Investment income	36,910	-	36,910
Unrealized gain (loss) on investments	78,130	-	78,130
Forgiveness of PPP loan	-	-	-
Employee retention credit	47,979	-	47,979
Solar Income tax credit	57,906	-	57,906
Miscellaneous income	15,944	-	15,944
Net assets released from restrictions:			
Satisfaction of program restrictions	474,450	(474,450)	-
Total revenues and support	2,403,969	498,083	2,902,052
Expenses:			
Program expenses	2,173,552	-	2,173,552
Management and general	137,728	-	137,728
Fundraising	103,792	-	103,792
Total expenses	2,415,072	-	2,415,072
Change in Net Assets	(11,103)	498,083	486,980
Net Assets:			
Beginning of year	8,225,105	1,214,509	9,439,614
End of year	\$ 8,214,002	\$ 1,712,592	\$ 9,926,594

See accompanying notes to financial statements.

**AUDUBON SOCIETY OF
WESTERN PENNSYLVANIA**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Nature store sales	\$ 625,781	\$ -	\$ 625,781
Cost of sales	(376,104)	-	(376,104)
Gross profit	249,677	-	249,677
Fundraising, contributions, and grants - general	692,506	182,530	875,036
Rental income	328,878	-	328,878
Education and support program fees	267,913	-	267,913
Investment income	18,619	-	18,619
Unrealized gain (loss) on investments	(134,844)	-	(134,844)
Forgiveness of PPP loan	220,165	-	220,165
Employee retention credit	-	-	-
Solar income tax credit	-	-	-
Miscellaneous income	3,775	-	3,775
Net assets released from restrictions:			
Satisfaction of program restrictions	431,635	(431,635)	-
Total revenues and support	2,078,324	(249,105)	1,829,219
Expenses:			
Program expenses	2,010,375	-	2,010,375
Management and general	147,792	-	147,792
Fundraising	78,632	-	78,632
Total expenses	2,236,799	-	2,236,799
Change in Net Assets	(158,475)	(249,105)	(407,580)
Net Assets:			
Beginning of year	8,383,580	1,463,614	9,847,194
End of year	\$ 8,225,105	\$ 1,214,509	\$ 9,439,614

See accompanying notes to financial statements.

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Expenses	Management and General	Fundraising	Total
Salaries and wages	\$ 1,080,109	\$ 55,284	\$ 47,659	\$ 1,183,052
Benefits	110,859	16,035	5,066	131,960
Payroll taxes	79,343	8,898	3,249	91,490
Professional services	2,275	15,675	4,275	22,225
Advertising and promotion	59,838	33	16,559	76,430
Office expenses	102,643	24,364	13,214	140,221
Information technology	3,106	339	6,597	10,042
Occupancy	54,547	-	-	54,547
Travel	7,523	-	-	7,523
Depreciation	373,437	-	-	373,437
Insurance	41,788	718	4,194	46,700
Repairs and maintenance	72,991	-	-	72,991
Membership/fundraising	144,921	-	-	144,921
Grant expense	2,500	-	-	2,500
Other	37,672	9,176	2,979	49,827
Loss on disposal of asset	-	7,206	-	7,206
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u><u>\$ 2,173,552</u></u>	<u><u>\$ 137,728</u></u>	<u><u>\$ 103,792</u></u>	<u><u>\$ 2,415,072</u></u>

See accompanying notes to financial statements.

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Expenses	Management and General	Fundraising	Total
Salaries and wages	\$ 939,213	\$ 99,201	\$ 37,492	\$ 1,075,906
Benefits	112,335	16,934	5,365	134,634
Payroll taxes	69,020	7,716	2,912	79,648
Professional services	16,503	6,402	900	23,805
Advertising and promotion	43,697	667	13,079	57,443
Office expenses	113,569	3,631	9,401	126,601
Information technology	600	1,392	6,588	8,580
Occupancy	47,452	-	-	47,452
Travel	7,999	-	24	8,023
Depreciation	374,669	-	-	374,669
Insurance	20,756	2,553	2,010	25,319
Repairs and maintenance	53,673	-	-	53,673
Membership/fundraising	96,481	-	-	96,481
Grant expense	70,526	-	-	70,526
Other	35,016	9,296	861	45,173
Loss on disposal of asset	8,866	-	-	8,866
Total	\$ 2,010,375	\$ 147,792	\$ 78,632	\$ 2,236,799

See accompanying notes to financial statements.

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ 486,980	\$ (407,580)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	373,437	374,669
Unrealized loss (gain) on investments	(78,130)	134,844
Loss on disposal of fixed assets	7,206	8,866
Change in:		
Accounts receivable	(116,153)	112,988
Contributions receivable	(67,288)	183,929
Inventories	(571)	(20,820)
Accounts payable and accrued expenses	119,737	(69,104)
Deferred revenue	(424)	(2,921)
Total adjustments	237,814	722,451
Net cash provided by (used in) operating activities	724,794	314,871
Cash Flows From Investing Activities:		
Purchase of fixed assets	(171,420)	(72,730)
Sale/(purchase) of investments	(8,440)	17,131
Net cash provided by (used in) investing activities	(179,860)	(55,599)
Cash Flows From Financing Activities:		
Collections of contributions restricted for long-term purposes:		
Capital campaign	-	23,024
Forgiveness of PPP loan	-	(220,165)
Net cash provided by (used in) financing activities	-	(197,141)
Net Increase (Decrease) in Cash and Cash Equivalents	544,934	62,131
Cash and Cash Equivalents:		
Beginning of year	141,480	79,349
End of year	\$ 686,414	\$ 141,480

See accompanying notes to financial statements.

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

1. Organization

The Audubon Society of Western Pennsylvania (Society), headquartered at the Beechwood Farms Nature Reserve, in the Borough of Fox Chapel, Pennsylvania, is a non-profit organization incorporated in 1941, under the provisions of Pennsylvania law. In addition, the Society owns and operates the Succop Nature Park, Buffalo Creek Nature Park and Todd Nature Reserve, all located in Butler County, Pennsylvania. The Society seeks to connect the people of southwestern Pennsylvania to birds and nature through their programs, projects, and places. Support for the Society derives from membership dues, income from educational programming, private label birdseed sales, Audubon Nature Store sales, rental income, and public contributions. A significant portion of the Beechwood Farms Nature Reserve land is owned by the Western Pennsylvania Conservancy (WPC). It is managed under a long-term Joint Operating Agreement with WPC and is not reflected in the accompanying statements of financial position.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are presented on the accrual basis of accounting. Accordingly, revenues and support are recognized when earned and expenses are recognized when the liabilities are incurred. The Society records deferred revenue for rental income received but not earned during the year.

Net Assets Classes

The Society's financial statements are classified for accounting and reporting purposes into two classes of net assts (with donor restrictions or without donor restrictions) established according to their nature and purpose. Separate accounts are maintained for individual funds; however, for financial reporting purposes, funds that have similar characteristics have been combined into net asset classes.

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

The assets, liabilities, and net assets of the Society are reported in net asset classes as follows:

Without Donor Restrictions - Used to accumulate all undesignated and board-designated resources from operations. This class represents the part of net assets that is not subject to restrictions imposed by contributors or grantors. In addition to the Society's board-designated endowment described in Note 6, the Society has board-designated amounts for land acquisitions and projects. The use of these funds requires approval by the Board of Directors (Board).

With Donor Restrictions - Represents a portion of the net assets whose use is limited by stipulations imposed by contributors or grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted support whose restrictions are met in the same fiscal year are reported as net assets without donor restrictions.

Income Taxes

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and is classified as a public charity other than a private foundation. Further, the Society annually files a Form 990.

Cash and Cash Equivalents

Cash and cash equivalents include all short-term highly liquid investments with maturities from the date of purchase of three months or less.

Cash and cash equivalents are deposited at a local bank. At June 30, 2023 and 2022, the carrying amounts of the Society's deposits were \$686,414 and \$141,480, respectively, and

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

the bank balances were \$696,086 and \$150,864, respectively. At June 30, 2023 and 2022, the Society had \$419,823 and \$0, respectively, in excess of Federal Deposit Insurance Corporation (FDIC) insured limits.

Investments

Investments in equity and debt securities are presented in the financial statements at fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the Society's historical losses and the financial stability of its customers. Accounts receivable are considered fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary.

Accounts receivable as of June 30, 2023 consists of a receivable related to the Investment Tax Credit (solar) in the amount of \$57,906. Laws and regulations concerning government programs, including the Investment Tax Credit established by the Inflation Reduction Act, are complex and subject to varying interpretations. There can be no assurance that regulatory authorities will not challenge the Society's claim to the Investment Tax Credit, and it is not possible to determine the impact (if any) this would have on the Society.

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Contributions Receivable

The Society records the receivable for unconditional contributions and corresponding revenue, at estimated net realizable value when the commitment is made. Contributions receivable are recorded based on written commitments of the donors.

Inventory

Inventory is stated at the lower of cost or net realizable value.

Fixed Assets

Fixed assets are stated at cost. Fixed asset purchases and major improvements and betterments to equipment, which are valued at a cost of \$5,000 or more with a useful life greater than three years, are capitalized. Expenses for maintenance and repairs that do not extend the life of the assets are charged to expense as incurred. Depreciation of fixed assets is on the straight-line method. Also included in the fixed asset value is a non-depreciable land easement recorded at the purchase cost.

Accrued Compensated Absences

Compensated absences of the Society are accrued when the obligation is attributable to employees' services already rendered, payment is probable, and the amount can be determined. The paid time off (PTO) of the Society's employees meets these criteria and the accumulated unpaid PTO has been recorded as a liability in the financial statements. The total PTO recorded as of June 30, 2023 and 2022 is \$67,891 and \$51,829, respectively, and is included in accrued expenses on the statements of financial position.

Revenue Recognition and Deferred Revenue

Contributions, including unconditional promises to give, are recorded as received as either net assets with or without donor restrictions dependent upon the existence of a donor-imposed restriction. When a donor restriction expires (that is, when a purpose or time restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same fiscal year are reported as net assets without donor restrictions. Conditional promises

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Society had no conditional contributions from private donors as of June 30, 2023 and 2022.

The Society receives revenue in advance for the rental of facilities as well as eco tours and classes that are considered to be exchange transactions. Such amounts are recorded as deferred revenues and will be recognized in the ensuing year when earned. The Society recognizes revenue from nature store sales as the goods are delivered to the buyer.

Contribution of Assets

Assets donated to the Society are recorded at their fair value in the appropriate net asset class at the time of donation. Such assets are subsequently liquidated and a gain/loss on the sale of donated assets is realized.

Risks and Uncertainties

Financial instruments, which potentially expose the Society to concentrations of credit risk, include cash, investments in marketable securities, contributions, and accounts receivable. As a matter of policy, the Society only maintains cash balances with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by both the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such change could materially affect the amount reported on the statements of financial position. Concentration of credit risk for accounts and contributions receivable is generally limited due to the distribution of these balances over a wide creditor and donor base.

Contributed Services

During the years ended June 30, 2023 and 2022, the Society received a substantial amount of services donated by individuals in conducting its various program services, including the operation of the Audubon Nature Store, education programs, and supporting services, including administrative and grounds assistance. A total of 6,089 and 5,673 hours were

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

contributed during the 2023 and 2022 fiscal years that if valued at the Independent Sector's 2023 and 2022 national average of \$31.80/hour and \$29.95/hour would amount to \$193,630 and \$169,906, respectively. These contributed services do not meet the requirements for recognition in the financial statements in accordance with accounting principles generally accepted in the United States and are not recorded in the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis on the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited according to management's judgment of efforts expended.

Adopted Accounting Standards

The provisions of these Standards Updates have been adopted and incorporated into these financial statements:

ASU 2016-02, "*Leases (Topic 842)*." These amendments and related amendments require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures are required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2018-14, "*Compensation – Retirement Benefits – Defined Benefit Plans (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*." The amendments modify disclosure requirements from Subtopic 715-20 and clarify the disclosure requirements in paragraph 715-20-50-3.

These Standards had no significant impact on the Society's financial statements for the year ended June 30, 2023.

Pending Accounting Standards Updates

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2022-04, “*Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*,” is effective for fiscal years beginning after December 15, 2022. The amendments in this update require that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program’s nature, activity during the period, changes from period to period, and potential magnitude.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

3. Liquidity and Availability

The following reflects the Society’s financial assets (cash and cash equivalents, accounts receivable, contributions receivable due within one year, and investments) as of June 30, 2023 and 2022 expected to be available within one year to meet the cash needs for general expenditures:

	<u>2023</u>	<u>2022</u>
Financial assets, at year-end	\$ 2,212,327	\$ 1,529,877
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(1,033,926)	(535,843)
Investments held in perpetuity	(678,666)	(678,666)
Board-designated	<u>(311,716)</u>	<u>(254,176)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 188,019</u>	<u>\$ 61,192</u>

The Society manages its liquid resources by focusing on both fundraising efforts as well as earned revenue sources to ensure the organization has adequate cash flow to cover the

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

related program expenses. The Society's goal is to maintain adequate liquid assets to fund near-term operating needs as well as maintain sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Income from the Board-designated endowment may be used for the operations of the Society as further described in Note 6. Although the Society does not intend to spend from the corpus of this Board-designated endowment, these amounts of \$311,716 and \$254,176, respectively, are available upon Board approval.

4. Investments

The Society's investments are managed by registered investment advisors. These investments are reported at fair value. As of June 30, 2023 and 2022, investments consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 28,640	\$ 5,868
Bond funds	268,725	283,448
U.S. equities	432,052	387,255
International equities	206,655	176,109
Emerging markets	53,737	50,559
	<u>\$ 989,809</u>	<u>\$ 903,239</u>

In accordance with accounting principles generally accepted in the United States of America, all investments of the Society are measured using Level 1, Level 2, and Level 3 fair value inputs. Level 1 fair value is defined as inputs based upon "measuring the value at quoted prices available in active markets for identical assets or liabilities as of the report date. 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 is defined as inputs based upon "measuring pricing units other than at quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes 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 is defined as inputs based upon "significant unobservable inputs, as they trade infrequently or not at all." The fair values of

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

investments held by the Society are determined using quoted prices in active markets for identical assets and, as such, are classified at June 30, 2023 and 2022 as Level 1 assets within the fair value hierarchy.

5. Fixed Assets

Fixed asset activity during the 2023 fiscal year is as follows:

	June 30, 2022	Additions	Reductions/ Placed in Service	June 30, 2023
Nondepreciable fixed assets:				
Land	\$ 1,552,025	\$ -	\$ -	\$ 1,552,025
Land easement	361,125	-	-	361,125
Total nondepreciable fixed assets	1,913,150	-	-	1,913,150
Depreciable fixed assets:				
Building	8,088,227	-	(5,515)	8,082,712
Land improvements	614,469	18,104	-	632,573
Equipment	301,120	153,316	(6,931)	447,505
Vehicles	51,372	-	-	51,372
Total depreciable fixed assets	9,055,188	171,420	(12,446)	9,214,162
Accumulated depreciation	(3,021,760)	(373,437)	5,240	(3,389,957)
Total depreciable fixed assets, net	6,033,428	(202,017)	(7,206)	5,824,205
Total fixed assets	\$ 7,946,578	\$ (202,017)	\$ (7,206)	\$ 7,737,355

AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Fixed asset activity during the 2022 fiscal year is as follows:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions/ Placed in Service</u>	<u>June 30, 2022</u>
Nondepreciable fixed assets:				
Land	\$ 1,552,025	\$ -	\$ -	\$ 1,552,025
Land easement	361,125	-	-	361,125
Total nondepreciable fixed assets	<u>1,913,150</u>	<u>-</u>	<u>-</u>	<u>1,913,150</u>
Depreciable fixed assets:				
Building	8,026,580	72,730	(11,083)	8,088,227
Land improvements	614,469	-	-	614,469
Equipment	301,120	-	-	301,120
Vehicles	51,372	-	-	51,372
Total depreciable fixed assets	<u>8,993,541</u>	<u>72,730</u>	<u>(11,083)</u>	<u>9,055,188</u>
Accumulated depreciation	<u>(2,649,308)</u>	<u>(374,669)</u>	<u>2,217</u>	<u>(3,021,760)</u>
Total depreciable fixed assets, net	<u>6,344,233</u>	<u>(301,939)</u>	<u>(8,866)</u>	<u>6,033,428</u>
Total fixed assets	<u>\$ 8,257,383</u>	<u>\$ (301,939)</u>	<u>\$ (8,866)</u>	<u>\$ 7,946,578</u>

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6. Net Assets

Net assets with donor restrictions consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Subject to expenses for a specified purpose (or purpose and time):		
Programs - Education	\$ 21,450	\$ 34,388
Places - Facility Projects	122,656	29,721
Projects - Conservation	<u>889,820</u>	<u>471,734</u>
Total subject to purpose and time restrictions	<u>1,033,926</u>	<u>535,843</u>
Subject to the Society's spending policy and appropriation:		
Investment in perpetuity	<u>678,666</u>	<u>678,666</u>
Total net assets with donor restrictions	<u><u>\$ 1,712,592</u></u>	<u><u>\$ 1,214,509</u></u>

Investment in Perpetuity

Net assets with donor restrictions that are perpetual in nature are subject to donor-imposed restrictions that the principal be invested in perpetuity. Net assets with donor restrictions that are perpetual in nature consist of endowment funds totaling \$678,666 at June 30, 2023 and 2022. The Society's Endowment Fund consists of gifts received from donors with the stipulation that the principal be invested, and the income be used for the general purposes of the Society.

Endowment Fund

Funds received, designated by the Society bylaws for specific purposes, are to be accounted for separately, and maintained as long-term investments of the Society.

In accordance with the Society's investment policy, the Society maintains a diversified asset allocation in various bond and equity funds to increase growth and income of the endowment. Both capital appreciation and dividends and interest income are expected to contribute to the total return. A level of risk that is equivalent to that of the broad stock market (the S&P 500) is acceptable for all non-fixed income assets. The endowment assets

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used by the Society to provide income for the maintenance and programmatic activities of the Society are comprised of cash invested in a money market account as well as assets included in the investment account held by the Society.

With respect to its endowment funds, the Society has elected to spend annually between 2% and 7%, subject to approval of the Board, of the net assets with donor restrictions – perpetual in nature endowment investment portfolio. The Society's investment policy allows for an annual maximum spending withdrawal from the net assets with donor restrictions – perpetual in nature endowment of 4% of the total investment portfolio a year. The distribution is made semi-annually with the amount being calculated on a twelve-quarter rolling average.

During 2023, the Society had the following endowment-related activities:

	<u>Board- Designated Endowment</u>	<u>Donor Restricted - Perpetual in Nature Endowment</u>	<u>Total Endowment</u>
Investment return:			
Investment income	\$ 6,238	\$ 14,868	\$ 21,106
Net (depreciation) appreciation	23,091	55,039	78,130
Investment fees	(969)	(2,306)	(3,275)
Transfer of accumulated investment income	67,601	(67,601)	-
Total investment return	<u>95,961</u>	<u>-</u>	<u>95,961</u>
Contributions	-	-	-
Transfers to/from other funds	<u>(35,756)</u>	<u>-</u>	<u>(35,756)</u>
Total change in endowment funds	60,205	-	60,205
Endowment assets:			
Beginning of year	<u>224,515</u>	<u>678,666</u>	<u>903,181</u>
End of year	<u>\$ 284,720</u>	<u>\$ 678,666</u>	<u>\$ 963,386</u>

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During 2022, the Society had the following endowment-related activities:

	Board- Designated Endowment	Donor Restricted - Perpetual in Nature Endowment	Total Endowment
Investment return:			
Investment income	\$ 4,397	\$ 13,290	\$ 17,687
Net (depreciation) appreciation	(33,520)	(101,324)	(134,844)
Investment fees	(776)	(2,347)	(3,123)
Transfer of accumulated investment income	(90,381)	90,381	-
Total investment return	(120,280)	-	(120,280)
Contributions	-	9,250	9,250
Transfers to/from other funds	(75,880)	-	(75,880)
Total change in endowment funds	(196,160)	9,250	(186,910)
Endowment assets:			
Beginning of year	420,675	669,416	1,090,091
End of year	\$ 224,515	\$ 678,666	\$ 903,181

7. Net Assets Released from Donor Restrictions

During fiscal years 2023 and 2022, net assets with donor restrictions were released from donor restrictions by satisfying the restricted purposes as follows:

	2023	2022
Education	\$ 12,938	\$ 49,352
Capital Projects/Improvements	183,831	119,493
Conservation	277,681	262,790
	\$ 474,450	\$ 431,635

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8. Employee Benefit Plan

The Society contributes to a defined contribution employee pension plan (Plan) covering all eligible full-time employees. The Society provides contributions totaling 3% of participant's compensation, as defined by the Plan. Total pension expense was \$21,348 and \$15,692 for the years ended June 30, 2023 and 2022, respectively.

9. Joint Operating Agreements

The Society manages land at the Beechwood Farms Nature Reserve owned by the Western Pennsylvania Conservancy under a long-term Joint Operating Agreement (JOA). The original JOA expired on June 30, 2014 and a new twenty-five-year JOA was entered into on June 30, 2014. The current JOA expires in June 2039 and provides for an additional 25-year renewal option.

The Society manages land owned by Buffalo Township for the purpose of furthering the cause of preservation, conservation, and to facilitate the maintenance of a nature reserve, under a long-term Joint Operating Agreement (JOA). A twenty-five-year JOA was entered into on July 1, 2017. There are two, twenty-five-year renewal options as part of the new JOA.

10. Contributions Receivable

The contributions receivable are as follows at June 30, 2023:

	Due in:		
	Less than 1 Year	2-4 Years	Total
Contributions receivable	<u>\$ 404,459</u>	<u>\$ 132,495</u>	<u>\$ 536,954</u>

Financial instruments, including contributions receivable, are valued under the fair value hierarchy. The levels of fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Capital Campaign for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

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Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

As the Society's contributions receivable have no significant observable inputs, they are all classified as Level 3. The input used by the Society to measure the value of the contributions receivable is the original contributions commitment net of an allowance. All contributions are deemed fully collectible and, as such, no allowance has been recorded. The effect of a present valuation of the contributions receivable has been deemed by management as immaterial.

11. Commitments and Contingencies

From time to time in the ordinary course of business, there can be various claims in which the Society is involved. The amount of liability, if any, related to these claims at year-end is not subject to determination. Accordingly, the financial statements do not include any adjustment for possible effects of these claims. Management is unaware of any active or pending claims.

12. Debt

In January 2021, the Society qualified for and received a second loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Consolidated Appropriations Act, from a qualified lender, for an aggregate principal amount of \$220,165 (the "PPP Loan"). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of five years, and was unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Society's request to the extent that the PPP Loan proceeds

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were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Society. The Society applied and received full forgiveness in January 2022. Therefore, PPP proceeds in the amount of \$220,165 have been recorded as revenue on the statement of activities for the year ended June 30, 2022.

In September 2021, the Society signed a one-year line-of-credit agreement providing for borrowings of up to \$500,000 and bearing interest at the bank prime rate, publicly announced by the bank, plus 0.5%, which was 4.75% at June 30, 2022, expiring in September 2022. The Society extended the line-of-credit agreement through September 2023. As of June 30, 2023 and 2022, there were no amounts outstanding on the line of credit. Subsequent to year-end, the Society extended the line-of-credit agreement through September 2024.