

# **Audubon Society of Western Pennsylvania**

## **Financial Statements**

Years Ended June 30, 2020 and 2019  
with Independent Auditor's Report

**MaherDuessel**

Pursuing the profession while promoting the public good©  
[www.md-cpas.com](http://www.md-cpas.com)

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

YEARS ENDED JUNE 30, 2020 AND 2019

## TABLE OF CONTENTS

---

### **Independent Auditor's Report**

### **Financial Statements:**

Statements of Financial Position	1
Statements of Activities:	
- Year Ended June 30, 2020	2
- Year Ended June 30, 2019	3
Statements of Functional Expenses:	
- Year Ended June 30, 2020	4
- Year Ended June 30, 2019	5
Statements of Cash Flows	6
Notes to Financial Statements	7

## Independent Auditor's Report

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

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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2020 and 2019, 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.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
November 30, 2020

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 390,921	\$ 120,517
Accounts receivable	26,852	37,894
Pledges receivable	285,098	322,752
Inventories	100,980	88,736
Prepaid expenses	-	1,200
Investments	825,195	1,183,233
Fixed assets, net of accumulated depreciation	7,396,107	7,621,497
<b>Total Assets</b>	<b>\$ 9,025,153</b>	<b>\$ 9,375,829</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 29,785	\$ 339,727
Paycheck Protection Program loan payable	220,165	-
Accrued expenses	3,109	1,900
Deferred revenue	65,548	45,671
Total Liabilities	318,607	387,298
<b>Net Assets:</b>		
Without donor restrictions:		
Undesignated	6,892,457	6,866,293
Board-designated:		
Land acquisitions	22,878	22,878
Projects	7,576	11,093
Endowment	190,656	548,694
Total net assets without donor restrictions	7,113,567	7,448,958
With donor restrictions:		
Purpose restrictions	936,563	883,157
Perpetual in nature	656,416	656,416
Total net assets with donor restrictions	1,592,979	1,539,573
Total Net Assets	8,706,546	8,988,531
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,025,153</b>	<b>\$ 9,375,829</b>

See accompanying notes to financial statements.

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Support:</b>			
Nature store sales	\$ 414,477	\$ -	\$ 414,477
Cost of sales	(251,224)	-	(251,224)
Gross profit	163,253	-	163,253
Fundraising, contributions, and grants - general	753,133	196,347	949,480
Fundraising, contributions, and grants - capital campaign	4,337	994	5,331
Rental income	190,460	-	190,460
Education and support program fees	172,468	-	172,468
Investment income	17,867	-	17,867
Unrealized gain (loss) on investments	(42,970)	-	(42,970)
Miscellaneous income	1,863	-	1,863
Net assets released from restrictions:			
Satisfaction of program restrictions	143,935	(143,935)	-
Total revenues and support	1,404,346	53,406	1,457,752
<b>Expenses:</b>			
Program expenses	1,537,649	-	1,537,649
Management and general	113,454	-	113,454
Fundraising	88,634	-	88,634
Total expenses	1,739,737	-	1,739,737
Change in net assets before losses	(335,391)	53,406	(281,985)
<b>Change in Net Assets</b>	(335,391)	53,406	(281,985)
<b>Net Assets:</b>			
Beginning of year	7,448,958	1,539,573	8,988,531
End of year	\$ 7,113,567	\$ 1,592,979	\$ 8,706,546

See accompanying notes to financial statements.

**AUDUBON SOCIETY OF  
WESTERN PENNSYLVANIA**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Support:</b>			
Nature store sales	\$ 460,764	\$ -	\$ 460,764
Cost of sales	(260,881)	-	(260,881)
Gross profit	199,883	-	199,883
Fundraising, contributions, and grants - general	507,007	25,882	532,889
Fundraising, contributions, and grants - capital campaign	58,715	4,314	63,029
Rental income	250,007	-	250,007
Education and support program fees	249,507	-	249,507
Investment income	41,330	-	41,330
Unrealized gain (loss) on investments	43,419	-	43,419
Miscellaneous income	-	-	-
Net assets released from restrictions:			
Satisfaction of program restrictions	2,078,309	(2,078,309)	-
Total revenues and support	3,428,177	(2,048,113)	1,380,064
<b>Expenses:</b>			
Program expenses	1,568,392	-	1,568,392
Management and general	115,056	-	115,056
Fundraising	167,197	-	167,197
Total expenses	1,850,645	-	1,850,645
Change in net assets before losses	1,577,532	(2,048,113)	(470,581)
<b>Change in Net Assets</b>	1,577,532	(2,048,113)	(470,581)
<b>Net Assets:</b>			
Beginning of year	5,871,426	3,587,686	9,459,112
End of year	\$ 7,448,958	\$ 1,539,573	\$ 8,988,531

See accompanying notes to financial statements.

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Expenses	Management and General	Fundraising	Total
Salaries and wages	\$ 775,800	\$ 32,917	\$ 58,183	\$ 866,900
Benefits	86,522	12,313	7,644	106,479
Payroll taxes	62,278	711	4,971	67,960
Professional services	42,815	13,980	5,827	62,622
Advertising and promotion	26,865	1,726	3,044	31,635
Office expenses	62,737	15,438	3,087	81,262
Information technology	330	5,528	-	5,858
Occupancy	40,037	-	-	40,037
Travel	4,512	22	26	4,560
Depreciation	345,825	-	-	345,825
Insurance	21,089	1,135	3,861	26,085
Repairs and maintenance	32,144	-	-	32,144
Membership/fundraising	30,835	-	331	31,166
Donations	2,500	-	-	2,500
Other	3,360	29,684	1,660	34,704
	<u>3,360</u>	<u>29,684</u>	<u>1,660</u>	<u>34,704</u>
<b>Total</b>	<u>\$ 1,537,649</u>	<u>\$ 113,454</u>	<u>\$ 88,634</u>	<u>\$ 1,739,737</u>

See accompanying notes to financial statements.



# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Expenses	Management and General	Fundraising	Total
Salaries and wages	\$ 827,424	\$ 40,912	\$ 115,950	\$ 984,286
Benefits	86,807	12,030	12,923	111,760
Payroll taxes	67,097	3,334	9,616	80,047
Professional services	39,162	11,817	6,198	57,177
Advertising and promotion	49,727	1,519	11,439	62,685
Office expenses	82,903	15,276	6,364	104,543
Information technology	208	5,444	-	5,652
Occupancy	48,679	-	-	48,679
Travel	4,080	18	101	4,199
Depreciation	216,861	-	-	216,861
Insurance	25,816	-	3,232	29,048
Repairs and maintenance	56,796	6,170	-	62,966
Membership/fundraising	47,518	-	310	47,828
Donations	5,359	-	-	5,359
Other	9,955	18,536	1,064	29,555
	<u>\$ 1,568,392</u>	<u>\$ 115,056</u>	<u>\$ 167,197</u>	<u>\$ 1,850,645</u>
Total	<u>\$ 1,568,392</u>	<u>\$ 115,056</u>	<u>\$ 167,197</u>	<u>\$ 1,850,645</u>

See accompanying notes to financial statements.

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (281,985)	\$ (470,581)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	345,825	216,861
Unrealized loss (gain) on investments	42,970	(43,419)
Contributions restricted for long-term purposes	(5,331)	(63,029)
Change in:		
Accounts receivable	11,042	(9,847)
Pledges receivable	(5,045)	(11,203)
Inventories	(12,244)	1,289
Prepaid expenses	1,200	(1,200)
Accounts payable and accrued expenses	(308,733)	203,499
Deferred revenue	19,877	439
Total adjustments	89,561	293,390
Net cash provided by (used in) operating activities	(192,424)	(177,191)
<b>Cash Flows From Investing Activities:</b>		
Purchase of fixed assets	(120,435)	(2,271,753)
Redemption of certificate of deposit	-	1,500,000
Investment sale proceeds	402,843	330,181
Investment acquisitions	(87,775)	(302,872)
Net cash provided by (used in) investing activities	194,633	(744,444)
<b>Cash Flows From Financing Activities:</b>		
Collections of contributions restricted for long-term purposes:		
Capital campaign	48,030	218,013
Proceeds from PPP loan	220,165	-
Net cash provided by (used in) financing activities	268,195	218,013
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	270,404	(703,622)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	120,517	824,139
End of year	\$ 390,921	\$ 120,517

See accompanying notes to financial statements.

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

---

### 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 and Todd Nature Reserve, both 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 assets (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.

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

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

---

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.

### Uninsured Cash Balances

Cash and cash equivalents are deposited at a local bank. At June 30, 2020 and 2019, the carrying amount of the Society's deposits were \$390,921 and \$120,517, respectively, and the bank balances were \$408,500 and \$103,372, respectively. At June 30, 2020 and 2019,

---

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

---

the Society's entire bank balance was insured by the Federal Deposit Insurance Corporation (FDIC).

### 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.

### Pledges Receivable

The Society records the receivable for unconditional pledges and corresponding revenue, at estimated net realizable value when the commitment is made. Pledges 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 \$2,500 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.

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

---

### Deferred Revenue

The Society receives revenue in advance for the rental of facilities that are considered to be exchange transactions. Such amounts are recorded as deferred revenues and will be recognized in the ensuing year when earned.

### Revenue Recognition

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 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.

### 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, 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.

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

---

Concentration of credit risk for accounts and pledges 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, 2020 and 2019, 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 5,345 hours were contributed during the 2020 fiscal year that if valued at the Independent Sector's 2020 national average of \$27.20/hr. would amount to \$145,370. 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.

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, provides guidance for revenue recognition related to contracts involving the transfer of promised goods or services to customers and the related disclosures. The Society implemented Topic 606 for all periods presented and has adjusted the disclosures in these financial statements accordingly. The implementation had no impact on how revenue was recognized in the financial statements.

ASU 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*." The amendments provide guidance for characterizing grants and similar contracts with government agencies and others as

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

---

reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. Implementation of these amendments had no impact on the financial statements.

### Pending Accounting Standards Updates

FASB has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2016-02, "*Leases (Topic 842)*," is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments and related amendments will 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 also will be 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 2016-13, "*Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*," is effective, as delayed, for the financial statements for the year beginning after December 15, 2022. These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

ASU 2018-13, "*Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*," is effective for the financial statements for the year beginning after December 15, 2019. The amendments remove and modify certain fair value hierarchy leveling disclosures.

ASU 2019-03, "*Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*," is effective for reporting periods beginning after December 15, 2019. The amendments modify the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds when collection items are removed from a collection. If a collection-holding entity has a policy that allows proceeds from



# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

---

deaccessioned collection items to be used for direct care, it should disclose its definition of direct care.

ASU 2018-15, *“Customers Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract,”* is effective for reporting periods beginning after December 15, 2020. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing costs incurred to develop or obtain internal-use software.

ASU 2018-18, *“Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606,”* is effective for reporting periods beginning after December 15, 2020. The amendments affect entities holding financial assets and net investment in leases that are not accounted for at fair value through net income.

ASU 2018-14, *“Compensation – Retirement Benefits-Defined Benefit Plans (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans,”* is effective for reporting periods beginning after December 15, 2021. The amendments modify disclosure requirements from Subtopic 715-20 and clarify the disclosure requirements in paragraph 715-20-50-3.

### 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.

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

### 3. Liquidity and Availability

The following reflects the Society's financial assets (cash and cash equivalents, accounts receivable, current portion pledges receivable, and investments) as of June 30, 2020 and 2019 expected to be available within one year to meet the cash needs for general expenditures:

	2020	2019
Financial assets, at year-end	\$ 1,526,066	\$ 1,659,996
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions		
less non-current portion of pledges receivable	(936,563)	(878,757)
Investments held in perpetuity	(656,416)	(656,416)
Financial assets available to meet cash needs for general expenditures within one year	\$ (66,913)	\$ 124,823

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 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.

During the year ended June 30, 2019, the Society incurred unanticipated construction costs related to projects associated with the Centennial Campaign. The Society is in the process of soliciting additional contributions to cover this shortage and replenish its financial reserves.

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 \$221,110 and \$582,665, respectively, are available by upon Board approval.

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

---

### 4. Investments

The Society's investments are managed by registered investment advisors. These investments are reported at fair value. As of June 30, 2020 and 2019, investments consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 79,003	\$ 23,986
Bond funds	250,168	373,257
U.S. equities	364,538	554,843
International equities	83,037	178,328
Emerging markets	<u>48,449</u>	<u>52,819</u>
	<u>\$ 825,195</u>	<u>\$ 1,183,233</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 investments held by the Society are determined using quoted prices in active markets for identical assets and, as such, are classified at June 30, 2020 and 2019 as Level 1 assets within the fair value hierarchy.

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

### 5. Fixed Assets

Fixed asset activity during the 2020 fiscal year is as follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions/ Placed in Service</u>	<u>June 30, 2020</u>
Nondepreciable fixed assets:				
Land	\$ 1,552,025	\$ -	\$ -	\$ 1,552,025
Land easement	361,125	-	-	361,125
Work in progress	25,644	96,913	-	122,557
Total nondepreciable fixed assets	<u>1,938,794</u>	<u>96,913</u>	<u>-</u>	<u>2,035,707</u>
Depreciable fixed assets:				
Building	6,702,306	23,522	-	6,725,828
Land improvements	614,469	-	-	614,469
Equipment	286,253	-	-	286,253
Vehicles	51,372	-	-	51,372
Total depreciable fixed assets	<u>7,654,400</u>	<u>23,522</u>	<u>-</u>	<u>7,677,922</u>
Accumulated depreciation	<u>(1,971,697)</u>	<u>(345,825)</u>	<u>-</u>	<u>(2,317,522)</u>
Total depreciable fixed assets, net	<u>5,682,703</u>	<u>(322,303)</u>	<u>-</u>	<u>5,360,400</u>
Total fixed assets	<u>\$ 7,621,497</u>	<u>\$ (225,390)</u>	<u>\$ -</u>	<u>\$ 7,396,107</u>

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Fixed asset activity during the 2019 fiscal year is as follows:

	June 30, 2018	Additions	Reductions/ Placed in Service	June 30, 2019
Nondepreciable fixed assets:				
Land	\$ 1,552,025	\$ -	\$ -	\$ 1,552,025
Land easement	361,125	-	-	361,125
Work in progress	769,960	-	(744,316)	25,644
Total nondepreciable fixed assets	2,683,110	-	(744,316)	1,938,794
Depreciable fixed assets:				
Building	3,846,489	2,855,817	-	6,702,306
Land improvements	508,050	106,419	-	614,469
Equipment	232,420	53,833	-	286,253
Vehicles	51,372	-	-	51,372
Total depreciable fixed assets	4,638,331	3,016,069	-	7,654,400
Accumulated depreciation	(1,754,836)	(216,861)	-	(1,971,697)
Total depreciable fixed assets, net	2,883,495	2,799,208	-	5,682,703
Total fixed assets	\$ 5,566,605	\$ 2,799,208	\$ (744,316)	\$ 7,621,497

Work in progress at June 30, 2020 and 2019 represents ongoing capital projects related to the Centennial Campaign. Such projects will be moved to depreciable fixed assets upon completion and the placed in-service date.

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

### 6. Net Assets

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

	2020	2019
Subject to expenses for a specified purpose (or purpose and time):		
Succop Nature Park Improvements	173,048	32,117
Bird Friendly Regional Initiatives	29,713	61,522
Centennial Campaign	677,739	724,976
Allegheny County Parks	28,322	28,975
Clean Water Fund	-	5,244
Watershed Conservation Plan	27,741	4,441
Shannon's Camp Fund	-	1,252
ECO Expedition	-	12,475
Pine Hollow	-	12,155
Total subject to purpose and time restrictions	936,563	883,157
Subject to the Society's spending policy and appropriation:		
Investment in perpetuity	656,416	656,416
Total net assets with donor restrictions	\$ 1,592,979	\$ 1,539,573

#### 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 \$656,416 at June 30, 2020 and 2019. 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

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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 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 2020, the Society had the following endowment-related activities:

	Board- Designated Endowment	Donor Restricted - Perpetual in Nature Endowment	Total Endowment
	<u>          </u>	<u>          </u>	<u>          </u>
Investment return:			
Investment income	\$ 3,876	\$ 13,346	\$ 17,222
Net (depreciation) appreciation	(9,672)	(33,298)	(42,970)
Investment fees	(565)	(1,944)	(2,509)
Transfer of accumulated investment income	(69,161)	69,161	-
Total investment return	<u>(75,522)</u>	<u>47,265</u>	<u>(28,257)</u>
Transfers to/from other funds	<u>(282,516)</u>	<u>(47,265)</u>	<u>(329,781)</u>
Total change in endowment funds	(358,038)	-	(358,038)
Endowment assets:			
Beginning of year	<u>548,694</u>	<u>656,416</u>	<u>1,205,110</u>
End of year	<u>\$ 190,656</u>	<u>\$ 656,416</u>	<u>\$ 847,072</u> *

\* \$21,877 of endowment funds are included in cash and cash equivalents and \$825,195 are included in investments.

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

During 2019, the Society had the following endowment-related activities:

	Board- Designated Endowment	Donor Restricted - Perpetual in Nature Endowment	Total Endowment
Investment return:			
Investment income	\$ 10,722	\$ 12,826	\$ 23,548
Net (depreciation) appreciation	19,769	23,650	43,419
Investment fees	(1,635)	(1,957)	(3,592)
Transfer of accumulated investment income	(12,746)	12,746	-
Total investment return	16,110	47,265	63,375
Transfers to/from other funds	-	(47,265)	(47,265)
Total change in endowment funds	16,110	-	16,110
Endowment assets:			
Beginning of year	532,584	656,416	1,189,000
End of year	\$ 548,694	\$ 656,416	\$ 1,205,110 *

\* \$21,877 of endowment funds are included in cash and cash equivalents and \$1,183,233 are included in investments.



# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

---

### 7. Net Assets Released from Donor Restrictions

During fiscal years 2020 and 2019, net assets with donor restrictions were released from donor restrictions by satisfying the restricted purposes as follows:

	2020	2019
Shannon's Camp Fund	\$ 1,252	\$ -
Environmental Curricular Enrichment	-	568
Succop Nature Park Improvements	-	8,564
Bird Friendly Regional Initiatives	31,809	100,302
Centennial Campaign	80,348	1,959,060
Clean Water Fund	5,244	4,256
Watershed Conservation Plan	-	5,559
Allegheny County Parks	653	-
ECO Expedition	12,475	-
Pine Hollow	12,154	-
	<u>\$ 143,935</u>	<u>\$ 2,078,309</u>

### 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 \$13,582 and \$14,754 for the years ended June 30, 2020 and 2019, respectively.

### 9. Lease Commitments

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.

---

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

---

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. Pledges Receivable

The pledges receivable are as follows at June 30, 2020:

	Due in:		
	<u>Less than 1 Year</u>	<u>2-4 Years</u>	<u>Total</u>
Pledges receivable	<u>\$ 283,098</u>	<u>\$ 2,000</u>	<u>\$ 285,098</u>

Financial instruments, including pledges 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.

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 Capital Campaign's pledges receivable have no significant observable inputs, they are all classified as Level 3. The input used by the Capital Campaign to measure the value of the pledges receivable is the original pledge commitment net of an allowance. All pledges are deemed fully collectible and, as such, no allowance has been recorded. The effect of a

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

---

present valuation of the pledges receivable has been deemed by management as immaterial.

The following table summarizes the changes in fair values associated with Level 3 pledges receivable:

	2020	2019
Beginning of year balance	\$ 322,752	\$ 466,533
Pledges committed	42,328	-
Collection of pledges	(79,982)	(143,781)
End of year balance	<u>\$ 285,098</u>	<u>\$ 322,752</u>

### 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. COVID-19

In early 2020, an outbreak of a novel strain of coronavirus was identified, and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the negative impact of the coronavirus on the Society's operational and financial performance is currently uncertain and cannot be predicted and will depend on certain developments, including, among others, the duration and spread of the outbreak, its impact on the Society's funders, employees, and vendors, and governmental, regulatory, and other responses to the coronavirus.

# AUDUBON SOCIETY OF WESTERN PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

---

### 13. Debt

In May 2020, the Society qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$220,165 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Society's request to the extent that the PPP Loan proceeds are 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 intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Society will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020 principal and interest payments will be required through the maturity date in April 2025. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

Subsequent to year end, the Society signed a 1-year line-of-credit agreement providing for borrowings of up to \$500,000 and bears interest at prime rate plus 0.5%.