The Houston Audubon Society

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2025 and 2024

The Houston Audubon Society

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Independent Auditors' Report

To the Board of Directors of
The Houston Audubon Society:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Houston Audubon Society, which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Houston Audubon Society as of June 30, 2025 and 2024, 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Houston Audubon 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 Houston Audubon Society's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

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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 generally accepted auditing standards, 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 Houston Audubon 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 Houston Audubon 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.

Blazek & Vetterling

October 15, 2025

The Houston Audubon Society

Statements of Financial Position as of June 30, 2025 and 2024

	2025	2024
ASSETS		
Cash	$ 292,624	$ 104,956
Cash held in escrow for land acquisition	200,000	
Operating contributions receivable	2,166,714	273,833
Bequest receivable – nature sanctuary	1,136,528	
Investments *(Note 3)*:		
Operating	1,400,310	1,400,766
Held for land acquisition	345,072	
Endowment	3,638,121	3,315,935
Other assets	101,280	123,714
Cash surrender value of life insurance restricted for endowment	242,279	233,587
Depreciable property, net *(Note 4)*	3,782,739	3,991,110
Nature sanctuaries *(Note 5)*	4,609,780	4,609,780
TOTAL ASSETS	$ 17,915,447	$ 14,053,681
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 58,227	$ 65,533
Refundable advances	644,422	42,500
Total liabilities	702,649	108,033
Net assets *(Note 8)*:		
Without donor restrictions *(Note 6)*	10,851,256	8,940,099
With donor restrictions *(Note 7)*	6,361,542	5,005,549
Total net assets	17,212,798	13,945,648
TOTAL LIABILITIES AND NET ASSETS	$ 17,915,447	$ 14,053,681

See accompanying notes to financial statements.

The Houston Audubon Society

Statement of Activities for the year ended June 30, 2025

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Financial contributions	$ 2,844,603	$ 433,515	$ 3,278,118
Government grants		136,412	136,412
Nonfinancial contributions *(Note 9)*	38,935	1,025,528	1,064,463
Special events:			
Revenue	315,605		315,605
Nonfinancial contributions *(Note 9)*	18,310		18,310
Direct donor benefit costs	(82,170)		(82,170)
Admission and program fees	249,525		249,525
Merchandise sales	70,097		70,097
Net investment return	305,491	130,638	436,129
Total revenue	3,760,396	1,726,093	5,486,489
Net assets released from restrictions:			
Expenditures for program purposes	370,100	(370,100)	
Total	4,130,496	1,355,993	5,486,489
EXPENSES:			
Program services:			
Sanctuaries and habitat conservation	816,084		816,084
Environmental education and outreach	694,576		694,576
Total program services	1,510,660		1,510,660
Management and general	464,911		464,911
Fundraising	243,768		243,768
Total expenses	2,219,339		2,219,339
CHANGES IN NET ASSETS	1,911,157	1,355,993	3,267,150
Net assets, beginning of year	8,940,099	5,005,549	13,945,648
Net assets, end of year	$ 10,851,256	$ 6,361,542	$ 17,212,798

See accompanying notes to financial statements.

The Houston Audubon Society

Statement of Activities for the year ended June 30, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Financial contributions	$ 1,009,725	$ 363,067	$ 1,372,792
Government grants		50,799	50,799
Nonfinancial contributions *(Note 9)*	22,392		22,392
Special events:			
Revenue	364,803		364,803
Nonfinancial contributions *(Note 9)*	48,455		48,455
Direct donor benefit costs	(108,417)		(108,417)
Admission and program fees	373,270		373,270
Merchandise sales	90,920		90,920
Net investment return	270,650	106,045	376,695
Total revenue	2,071,798	519,911	2,591,709
Net assets released from restrictions:			
Expenditures for program purposes	451,120	(451,120)	
Capital expenditures	172,635	(172,635)	
Total	2,695,553	(103,844)	2,591,709
EXPENSES:			
Program services:			
Sanctuaries and habitat conservation	735,451		735,451
Environmental education and outreach	698,714		698,714
Total program services	1,434,165		1,434,165
Management and general	339,810		339,810
Fundraising	249,508		249,508
Total expenses	2,023,483		2,023,483
CHANGES IN NET ASSETS	672,070	(103,844)	568,226
Net assets, beginning of year	8,268,029	5,109,393	13,377,422
Net assets, end of year	$ 8,940,099	$ 5,005,549	$ 13,945,648

See accompanying notes to financial statements.

The Houston Audubon Society

Statement of Functional Expenses for the year ended June 30, 2025

EXPENSES	SANCTUARIES AND HABITAT CONSERVATION	ENVIRONMENTAL EDUCATION AND OUTREACH	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	$ 344,662	$ 494,037	$ 838,699	$ 254,881	$ 201,592	$ 1,295,172
Professional fees	51,993	47,192	99,185	167,939	11,564	278,688
Depreciation	196,330	23,315	219,645	2,054	2,054	223,753
Sanctuary and property maintenance	72,286	11,960	84,246	911	893	86,050
Insurance	58,071	16,923	74,994	7,207	1,958	84,159
Supplies	31,519	8,766	40,285	1,405	2,843	44,533
Communications	6,195	26,509	32,704	1,875	1,874	36,453
Printing, publications, and postage	6,906	6,364	13,270	3,602	10,799	27,671
Travel	10,264	9,302	19,566	5,926	558	26,050
Utilities	17,001	5,115	22,116	763	763	23,642
Cost of merchandise sold		22,289	22,289			22,289
Credit card and bank fees				16,474		16,474
Licenses, accreditations, and subscriptions	340	6,471	6,811	579	3,459	10,849
Property taxes	9,306		9,306			9,306
Grants and awards	1,000	4,577	5,577	556	475	6,608
Educational classes and fieldtrips		4,556	4,556			4,556
Other	10,211	7,200	17,411	739	4,936	23,086
Total expenses	$ 816,084	$ 694,576	$ 1,510,660	$ 464,911	$ 243,768	2,219,339
Direct donor benefit costs						82,170
Total						$ 2,301,509

See accompanying notes to financial statements.

The Houston Audubon Society

Statement of Functional Expenses for the year ended June 30, 2024

EXPENSES	SANCTUARIES AND HABITAT CONSERVATION	ENVIRONMENTAL EDUCATION AND OUTREACH	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	$ 312,259	$ 503,009	$ 815,268	$ 233,450	$ 204,458	$ 1,253,176
Professional fees	20,914	30,746	51,660	64,828	13,317	129,805
Depreciation	186,162	22,434	208,596	2,174	2,174	212,944
Sanctuary and property maintenance	75,159	8,325	83,484	1,092	1,092	85,668
Insurance	62,100	20,337	82,437	5,047	2,100	89,584
Supplies	24,788	12,067	36,855	1,959	4,993	43,807
Communications	6,441	23,003	29,444	1,805	2,087	33,336
Printing, publications, and postage	3,777	7,234	11,011	4,171	10,387	25,569
Travel	6,636	10,613	17,249	3,281	1,134	21,664
Utilities	17,526	7,200	24,726	751	751	26,228
Cost of merchandise sold		22,631	22,631			22,631
Credit card and bank fees				18,304		18,304
Licenses, accreditations, and subscriptions	446	6,743	7,189	512	1,072	8,773
Property taxes	12,375		12,375			12,375
Grants and awards	521	3,379	3,900	483	944	5,327
Educational classes and fieldtrips		5,189	5,189			5,189
Other	6,347	15,804	22,151	1,953	4,999	29,103
Total expenses	$ 735,451	$ 698,714	$ 1,434,165	$ 339,810	$ 249,508	2,023,483
Direct donor benefit costs						108,417
Total						$ 2,131,900

See accompanying notes to financial statements.

The Houston Audubon Society

Statements of Cash Flows for the years ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 3,267,150	$ 568,226
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(259,978)	(221,957)
Change in cash surrender value of life insurance	(8,692)	(7,676)
Depreciation	223,753	212,944
Loss on disposal of nature sanctuaries		1,061
Changes in operating assets and liabilities:		
Operating contributions receivable	(1,892,881)	(63,541)
Bequest receivable	(1,136,528)	
Other assets	22,434	(51,260)
Accounts payable and accrued expenses	(7,306)	(7,004)
Refundable advance	601,922	7,000
Net cash provided by operating activities	809,874	437,793
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of long-term investments	(740,187)	(754,538)
Sales of long-term investments	635,653	602,075
Change in money market mutual funds held as investments	(302,290)	(44,469)
Purchases of depreciable property	(15,382)	(244,545)
Proceeds from sale of nature sanctuaries		25,000
Net cash used by investing activities	(422,206)	(416,477)
NET CHANGE IN CASH	387,668	21,316
Cash, beginning of year	104,956	83,640
Cash, end of year	$ 492,624	$ 104,956
Reconciliation of cash and cash equivalents:		
Cash	$ 292,624	$ 104,956
Cash held in escrow for land acquisition	200,000	
Total cash and cash equivalents	$ 492,624	$ 104,956
Supplemental disclosure of cash flow information:		
Contributions of marketable securities (sold upon receipt)	$167,422	$58,469

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Houston Audubon Society (HAS) is a Texas nonprofit corporation founded in 1969 as an autonomous and self-supporting chapter of the National Audubon Society. HAS's stated mission is to advance the conservation of birds and their habitats in the Greater Houston Gulf Coast region. The pillars guiding the organization's work are land conservation, education, conservation advocacy, monitoring, research, and community engagement. HAS envisions a future where birds are thriving in healthy natural areas, people are inspired by the sense of wonder birds bring, and diverse communities are connecting through a shared appreciation of the avian world.

HAS currently has 4,600 members, coordinates 500 volunteers, and conducts nature-based education programs for over 10,000 youth and adults each year, including outreach to engage residents from diverse backgrounds in Houston's underserved communities. In addition, HAS owns and manages 17 nature sanctuaries on the Upper Texas coast, encompassing 4,112 acres of diverse habitats such as piney woods, marshes, and endangered coastal prairies. Several of those sanctuaries are open to the public year-round to welcome visitors to experience the magic of bird migration, including the Edith L. Moore Nature Sanctuary and Native Plant Nursery in west Houston as well as seven coastal sanctuaries in High Island, Galveston and the Bolivar Peninsula. Since 2017, HAS has been accredited by the Land Trust Accreditation Commission, demonstrating its commitment to a sound program of land conservation and stewardship.

Federal income tax status – HAS is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2).

Cash includes demand deposits and cash on hand.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. At June 30, 2025, all contributions receivable are expected to be collected within one year.

Bequest receivable is the fair market value of real property and other assets to be transferred to HAS from an estate.

Investments are reported at fair value. Net investment return consists of interest and dividends, and realized and unrealized gains and losses, net of external and direct internal investment expenses.

Depreciable property – Depreciable property having a cost of more than $5,000 and an estimated life of more than one year are reported at cost, if purchased, or at fair value at the date of gift, if donated. Depreciation is computed on the straight-line method over estimated useful lives of 20 to 40 years for buildings, 5 to 25 years for land and building improvements and 5 years for furniture, fixtures and equipment.

Nature sanctuaries are reported at cost, or in the case of donated land, at estimated fair value at the date of the gift. Certain sanctuaries are subject to donor restrictions and must be maintained in perpetuity as nature preserves.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions.* Conditional contributions are subject to one or more barriers that must be overcome before HAS is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Nonfinancial contributions – Donated materials and use of facilities are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events revenue is the total paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special events.

Admission and program fees are derived from providing admission to sanctuaries, education and outreach programs, habitat management and facility rentals. Fees are due and recognized at the point in time when the services are provided to the customer in an amount that reflects the consideration HAS expects to be entitled to in exchange for those services. There are $30,400, $30,400, and $33,104 of receivables resulting from fees at June 30, 2025, 2024 and 2023, respectively. Deferred revenue resulting from program fees is immaterial at June 30, 2025, 2024 and 2023.

Merchandise sales are derived from themed apparel, educational books, native plants and other items at two HAS locations. Sales of these items are recognized at the point in time when the sales price is collected, and the purchased items are provided to the customer. There are no liabilities resulting from merchandise sales at June 30, 2025, 2024, or 2023. There are no receivables resulting from merchandise sales at June 30, 2025, $12,500 at June 30, 2024, and $0 at June 30, 2023.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Professional fees, salaries and related costs are allocated on the basis of estimated time and effort expended. Expenses related to facilities are allocated based on square footage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	2025	2024
Financial assets:		
Cash	$ 492,624	$ 104,956
Investments	5,383,503	4,716,701
Contributions receivable	2,166,714	273,833
Other assets	30,420	66,669
Total financial assets	8,073,261	5,162,159
Less financial assets not available for general expenditure:		
Endowment assets not expected to be appropriated in the next 12 months	(3,638,121)	(3,315,935)
Restricted by donors for capital projects and additions	(617,864)	(75,497)
Total financial assets available for general expenditure	$ 3,817,276	$ 1,770,727

Financial assets available for general expenditure include amounts expected to be appropriated from donor-restricted assets and endowment earnings during the upcoming year. For purposes of analyzing resources available to meet general expenditures over a 12-month period, HAS considers all expenditures related to its ongoing activities of land and habitat conservation, natural science education, and conservation advocacy, as well as the conduct of services undertaken to support those activities, to be general expenditures, but does not consider capital expenditures to be general expenditures.

HAS regularly monitors liquidity required to meet its operating needs while striving to maximize the investment of available funds. To manage unanticipated liquidity needs, HAS has board-designated endowment investments of $2,261,107 at June 30, 2025. Although HAS does not intend to spend from the board-designated investments, amounts from the board-designated investments could be made available, if necessary.

In July 2023, HAS entered into a $500,000 line of credit agreement to help manage unanticipated liquidity needs. The line of credit expires July 13, 2026. The variable interest rate is the Secured Overnight Financing Rate for 1 month plus 2%. There is no outstanding balance on the line of credit as of June 30, 2025.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at June 30, 2025 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Equity mutual funds:				
Large-cap	$ 1,019,166			$ 1,019,166
International	762,522			762,522
Small-cap	354,880			354,880
Fixed-income mutual funds:				
Government bond	698,701			698,701
International bond	81,532			81,532
Exchange-traded domestic equity funds:				
Index	404,206			404,206
Mid-cap	349,949			349,949
Exchange-traded domestic bond funds:				
Government bond	392,832			392,832
Money market mutual funds	1,319,715			1,319,715
Total assets measured at fair value	$ 5,383,503	$ 0	$ 0	$ 5,383,503

Assets measured at fair value at June 30, 2024 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Equity mutual funds:				
Large-cap	$ 870,633			$ 870,633
International	630,108			630,108
Small-cap	318,945			318,945
Fixed-income mutual funds:				
Government bond	773,017			773,017
International bond	92,236			92,236
Domestic bond	92,876			92,876
Exchange-traded domestic equity funds:				
Index	276,972			276,972
Mid-cap	276,012			276,012
Exchange-traded domestic bond funds:				
Government bond	368,478			368,478
Money market mutual funds	1,017,424			1,017,424
Total assets measured at fair value	$ 4,716,701	$ 0	$ 0	$ 4,716,701

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual funds are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while HAS believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 4 – DEPRECIABLE PROPERTY

Depreciable property consists of the following:

	2025	2024
Buildings	$ 1,878,096	$ 1,878,096
Land and building improvements	3,184,702	3,169,320
Furniture, fixtures and equipment	304,097	304,097
Total depreciable property, at cost	5,366,895	5,351,513
Accumulated depreciation	(1,584,156)	(1,360,403)
Depreciable property, net	$ 3,782,739	$ 3,991,110

NOTE 5 – NATURE SANCTUARIES SYSTEM

Nature sanctuaries as of June 30, 2025 are comprised of the following:

	APPROXIMATE ACREAGE	CARRYING VALUE
High Island sanctuaries (Louis Smith Boy Scout Woods, Smith Oaks, Eubanks Woods and S.E. Gast Red Bay)	853	$ 1,688,714
Bolivar Flats Shorebird Sanctuary	1,215	970,023
Horseshoe Marsh Bird Sanctuary	667	653,195
Champions property	13	345,000
Winters Bayou Sanctuary	165	253,000
Edith L. Moore Nature Sanctuary	18	165,137
Carolyn Raizes Davis Bird Sanctuary	63	152,680
Damuth Sanctuary	628	126,901
Mundy Marsh Bird Sanctuary	368	100,000
Houston Audubon Raptor and Education Center	1	79,000
Dos Vacas Muertas Bird Sanctuary	6	60,000
McFarlane Marsh	66	10,000
North Deer Island Sanctuary	47	6,130
Garwood property	2	0
Total nature sanctuaries	4,112	$ 4,609,780

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	2025	2024
Invested in depreciable property	$ 3,782,739	$ 3,991,110
Undesignated	3,602,753	1,683,465
Land held as nature sanctuaries	1,204,657	1,204,657
Board-designated for land and facilities stewardship endowment	2,261,107	2,060,867
Total net assets without donor restrictions	$ 10,851,256	$ 8,940,099

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2025	2024
Subject to expenditure for specified purpose:		
Land acquisition and management	$ 72,792	$ 72,792
Nature sanctuary	1,136,528	
Environmental education and community outreach	50,000	
Rebranding	41,875	
Coastal habitat restoration	26,790	20,029
Other	9,141	18,950
Total subject to expenditure for specified purpose	1,337,126	111,771
Endowments:		
Subject to spending policy and appropriation:		
Land and facilities stewardship endowment – general	580,573	529,160
Land and facilities stewardship endowment – Bolivar sanctuaries	411,213	374,796
Land purchase endowment	375,366	354,888
Callery Alexander and general endowment	252,141	229,811
Total endowments	1,619,293	1,488,655
Not subject to appropriation or expenditure:		
Land held as nature sanctuaries	3,405,123	3,405,123
Total net assets with donor restrictions	$ 6,361,542	$ 5,005,549

NOTE 8 – ENDOWMENT FUNDS

Endowment net asset composition as of June 30, 2025 is as follows:

		WITH DONOR RESTRICTIONS		
	WITHOUT DONOR RESTRICTIONS	SUBJECT TO SPENDING POLICY AND APPROPRIATION	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Donor-restricted endowment funds:				
Land and facilities stewardship		$ 968,786	$ 23,000	$ 991,786
Land purchase		252,002	123,364	375,366
General		126,576	125,565	252,141
Board-designated for land and facilities stewardship	$ 2,261,107			2,261,107
Endowment net assets	$ 2,261,107	$ 1,347,364	$ 271,929	$ 3,880,400

Endowment net asset composition as of June 30, 2024 is as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS		TOTAL
		SUBJECT TO SPENDING POLICY AND APPROPRIATION	REQUIRED TO BE MAINTAINED IN PERPETUITY	
Donor-restricted endowment funds:				
Land and facilities stewardship		$ 880,956	$ 23,000	$ 903,956
Land purchase		231,524	123,364	354,888
General		104,246	125,565	229,811
Board-designated for land and facilities stewardship	$ 2,060,867			2,060,867
Endowment net assets	$ 2,060,867	$ 1,216,726	$ 271,929	$ 3,549,522

Changes in endowment net assets are as follows:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS		TOTAL
		SUBJECT TO SPENDING POLICY AND APPROPRIATION	REQUIRED TO BE MAINTAINED IN PERPETUITY	
Endowment net assets, June 30, 2023	$ 1,406,179	$ 1,110,681	$ 271,929	$ 2,788,789
Contributions and transfers	500,000			500,000
Net investment return	154,688	106,045		260,733
Endowment net assets, June 30, 2024	2,060,867	1,216,726	271,929	3,549,522
Contributions and transfers				
Net investment return	200,240	130,638		330,878
Endowment net assets, June 30, 2025	$ 2,261,107	$ 1,347,364	$ 271,929	$ 3,880,400

HAS has donor-restricted endowment funds, which are maintained in accordance with explicit donor stipulations, and board-designated endowment funds. The Board of Directors of HAS has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value 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, HAS classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as *net assets with donor restrictions* until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, HAS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of HAS and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of HAS
- The investment policies of HAS

Spending Policies and Return Objectives

HAS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment in such a manner as to preserve and enhance the net asset value. The endowment funds consist of contributions that include donor-imposed restrictions, as well as board-designated funds. HAS expects its endowment funds, over time, to provide an average annual rate of return of 5%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, HAS 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). The endowment's financial assets are invested for long-term appreciation and current income for the purpose of supporting HAS's operations; therefore, current volatility in the markets is not expected to have a permanent impact to the financial assets in the long term.

The target spending amount for the land and facilities' stewardship endowment shall be 5% of the average value in the fund as of the end of the previous twelve quarters. Distributions from the land purchase and general endowments are determined by the Board of Directors.

To date, management has elected not to make distributions under these spending policies.

NOTE 9 – CONTRIBUTED NONFINANCIAL ASSETS AND VOLUNTEER HOURS

HAS receives various forms of gifts-in-kind (nonfinancial asset contributions), including contributions of assets to be auctioned by HAS at its fundraising events and professional services. HAS recognized the following as in-kind contributions:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	FISCAL YEAR 2025	FISCAL YEAR 2024
Bequest of land	Utilized in program services	To be used as a nature sanctuary	Fair value estimated based on appraisal district records and analysis of market value of comparable properties.	$1,025,528	
Project management services	Utilized in program services	None	Fair value estimated based on comparable cost for similar services.	21,175	
Donated auction items	Monetized at fundraising event	None	Valued using the auction price received.	18,310	$38,455
Legal, marketing, website and computer services	Utilized for program and supporting services	None	Fair value estimated based on comparable cost for similar services.	17,760	22,392
Donated entertainment	Utilized at fundraising event	None	Fair value based on vendor's published rate.		10,000
Total contributed nonfinancial assets				$1,082,773	$70,847

Many individuals volunteer their time to perform a variety of tasks that assist HAS in its mission of conservation, education and advocacy, such as spring migration facilitators, native plant nursery workers, and assistance with other projects. HAS received 9,087 volunteer hours from 492 volunteers with an estimated value of $305,232 and 12,061 volunteer hours from 641 volunteers with an estimated value of $385,228 during the years ended June 30, 2025 and 2024, respectively, which were not recognized in these financial statements because the services do not meet the criteria for recognition under generally accepted accounting principles. The estimated value of volunteer time per hour, for the state of Texas, was obtained from Independent Sector, a leadership network for nonprofit organizations, foundations and corporate giving programs.

NOTE 10 – CONDITIONAL CONTRIBUTIONS

In February 2024, HAS received a conditional government grant award to support the Texas Breeding Shorebird and Seabird Stewardship Project, in which the funds to be received are based on the reimbursement of eligible expenditures incurred in accordance with the grant terms. The amount of the award is $620,000 and the contract expires on January 31, 2029. Contribution revenue of approximately $48,000 was recognized during 2025 with approximately $538,000 remaining under the grant agreement as of June 30, 2025 that will be subsequently recognized when conditions under the grant are met.

In May 2024, HAS received a $2,853,631 conditional government grant award under the RESTORE Act to support the Bolivar Peninsula Nature Trail, in which the funds to be received are based on the reimbursement of eligible expenditures incurred in accordance with the grant terms. Contribution revenue of approximately $60,000 was recognized during 2025. The approximate $2,790,000 remaining under the grant agreement as of June 30, 2025 will be recognized when conditions under the grant are met.

In 2025, HAS began a $6,000,000 fundraising campaign to acquire approximately 54 acres of land adjacent to the Bolivar Flats Shorebird Sanctuary in two phases. At June 30, 2025, HAS has approximately $2,495,000 in conditional contributions for Phases 1 and 2 of the Bolivar Flats land acquisition that will be recognized when HAS closes on the properties. This total includes $545,000 that is reflected in refundable advances.

NOTE 11 – SUBSEQUENT EVENTS

In July 2025, HAS closed on Phase 1 of the acquisition of land adjacent to the Bolivar Flats Shorebird Sanctuary for $3,000,000.

Management has evaluated subsequent events through October 15, 2025, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.