

The Houston Audubon Society, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2021 and 2020

The Houston Audubon Society, Inc.

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Independent Auditors' Report

To the Board of Directors of
The Houston Audubon Society, Inc.:

We have audited the accompanying financial statements of The Houston Audubon Society, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020 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.

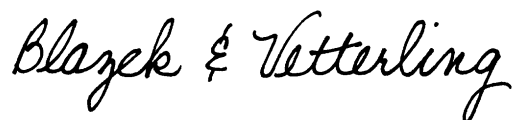
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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.

Auditors' 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 our audits 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 auditors' 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 Houston Audubon Society, Inc. as of June 30, 2021 and 2020 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.



October 20, 2021

The Houston Audubon Society, Inc.

Statements of Financial Position as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 328,248	\$ 115,582
Short-term investments (Note 4)	1,286,599	986,460
Contributions receivable (Note 3)	148,922	2,722
Other assets	44,279	174,298
Long-term investments (Note 4)	3,673,411	2,883,675
Cash surrender value of life insurance	211,552	204,529
Depreciable property, net (Note 5)	3,403,668	3,453,382
Nature sanctuaries (Note 6)	<u>4,621,958</u>	<u>3,999,235</u>
TOTAL ASSETS	<u>\$ 13,718,637</u>	<u>\$ 11,819,883</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 41,664	\$ 58,155
Construction payable		200,029
Deferred revenue	42,020	7,020
Refundable advances – Paycheck Protection Program (Note 2)	<u>377,366</u>	<u>188,600</u>
Total liabilities	<u>461,050</u>	<u>453,804</u>
Net assets (Note 9):		
Without donor restrictions (Note 7)	7,497,707	6,211,898
With donor restrictions (Note 8)	<u>5,759,880</u>	<u>5,154,181</u>
Total net assets	<u>13,257,587</u>	<u>11,366,079</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,718,637</u>	<u>\$ 11,819,883</u>

See accompanying notes to financial statements.

The Houston Audubon Society, Inc.

Statement of Activities for the year ended June 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 735,376	\$ 986,451	\$ 1,721,827
Contributions of nature sanctuaries	383,170		383,170
Special events	274,802		274,802
Direct donor benefits	(17,867)		(17,867)
Admission and program fees	220,120		220,120
Merchandise sales	62,961		62,961
Net investment return	<u>550,037</u>	<u>247,003</u>	<u>797,040</u>
Total revenue	2,208,599	1,233,454	3,442,053
Net assets released from restrictions:			
Expenditures for program purposes	301,100	(301,100)	
Capital expenditures	<u>326,655</u>	<u>(326,655)</u>	
Total	<u>2,836,354</u>	<u>605,699</u>	<u>3,442,053</u>
EXPENSES:			
Program services:			
Sanctuaries and habitat conservation	645,168		645,168
Environmental education and outreach	<u>424,021</u>		<u>424,021</u>
Total program services	1,069,189		1,069,189
Management and general	245,362		245,362
Fundraising	<u>235,994</u>		<u>235,994</u>
Total expenses	<u>1,550,545</u>		<u>1,550,545</u>
CHANGES IN NET ASSETS	1,285,809	605,699	1,891,508
Net assets, beginning of year	<u>6,211,898</u>	<u>5,154,181</u>	<u>11,366,079</u>
Net assets, end of year	<u>\$ 7,497,707</u>	<u>\$ 5,759,880</u>	<u>\$ 13,257,587</u>

See accompanying notes to financial statements.

The Houston Audubon Society, Inc.

Statement of Activities for the year ended June 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 451,871	\$ 732,636	\$ 1,184,507
Special events	421,101		421,101
Direct donor benefits	(68,093)		(68,093)
Admission and program fees	111,953		111,953
Merchandise sales	60,794		60,794
Net investment return	<u>27,180</u>	<u>40,876</u>	<u>68,056</u>
Total revenue	1,004,806	773,512	1,778,318
Net assets released from restrictions:			
Expenditures for program purposes	255,738	(255,738)	
Capital expenditures	<u>2,344,913</u>	<u>(2,344,913)</u>	
Total	<u>3,605,457</u>	<u>(1,827,139)</u>	<u>1,778,318</u>
EXPENSES:			
Program services:			
Sanctuaries and habitat conservation	562,668		562,668
Environmental education and outreach	<u>541,862</u>		<u>541,862</u>
Total program services	1,104,530		1,104,530
Management and general	210,186		210,186
Fundraising	<u>240,543</u>		<u>240,543</u>
Total expenses	<u>1,555,259</u>		<u>1,555,259</u>
CHANGES IN NET ASSETS	2,050,198	(1,827,139)	223,059
Net assets, beginning of year	<u>4,161,700</u>	<u>6,981,320</u>	<u>11,143,020</u>
Net assets, end of year	<u>\$ 6,211,898</u>	<u>\$ 5,154,181</u>	<u>\$ 11,366,079</u>

See accompanying notes to financial statements.

The Houston Audubon Society, Inc.

Statement of Functional Expenses for the year ended June 30, 2021

<u>EXPENSES</u>	<u>SANCTUARIES AND HABITAT CONSERVATION</u>	<u>ENVIRONMENTAL EDUCATION AND OUTREACH</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and benefits	\$ 290,398	\$ 280,150	\$ 570,548	\$ 188,900	\$ 195,853	\$ 955,301
Depreciation	110,858	18,133	128,991	1,794	1,794	132,579
Professional fees	12,168	20,510	32,678	39,142	17,164	88,984
Insurance	49,269	14,334	63,603	4,411	1,500	69,514
Sanctuary and property maintenance	53,115	10,635	63,750	528	528	64,806
Grants and awards	51,581	5,920	57,501	163	219	57,883
Supplies	19,936	17,445	37,381	1,525	3,655	42,561
Communications	7,921	19,172	27,093	1,313	1,586	29,992
Utilities	17,588	5,340	22,928	738	738	24,404
Printing, publications, and postage	1,639	3,229	4,868	2,483	6,867	14,218
Credit card fees	2,280	9,281	11,561		1,227	12,788
Cost of merchandise sold	8,375	2,298	10,673			10,673
Travel	4,924	2,863	7,787	174	1,555	9,516
Educational classes and fieldtrips		8,680	8,680			8,680
Licenses, accreditations, and subscriptions	430	4,276	4,706	290	2,223	7,219
Other	<u>14,686</u>	<u>1,755</u>	<u>16,441</u>	<u>3,901</u>	<u>1,085</u>	<u>21,427</u>
Total expenses	<u>\$ 645,168</u>	<u>\$ 424,021</u>	<u>\$ 1,069,189</u>	<u>\$ 245,362</u>	<u>\$ 235,994</u>	1,550,545
Direct donor benefits						<u>17,867</u>
Total						<u>\$ 1,568,412</u>

See accompanying notes to financial statements.

The Houston Audubon Society, Inc.

Statement of Functional Expenses for the year ended June 30, 2020

<u>EXPENSES</u>	<u>SANCTUARIES AND HABITAT CONSERVATION</u>	<u>ENVIRONMENTAL EDUCATION AND OUTREACH</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and benefits	\$ 325,372	\$ 333,847	\$ 659,219	\$ 154,855	\$ 189,870	\$ 1,003,944
Depreciation	62,281	16,918	79,199	1,546	1,546	82,291
Professional fees	17,266	55,248	72,514	41,658	13,409	127,581
Insurance	25,800	12,081	37,881	3,560	1,219	42,660
Sanctuary and property maintenance	51,764	25,027	76,791	617	617	78,025
Grants and awards	10,782	7,183	17,965	264	10	18,239
Supplies	21,612	17,883	39,495	678	1,946	42,119
Communications	6,848	37,079	43,927	1,660	2,034	47,621
Utilities	15,314	5,651	20,965	691	692	22,348
Printing, publications, and postage	976	6,639	7,615	697	13,923	22,235
Credit card fees	974	6,498	7,472		2,475	9,947
Cost of merchandise sold		1,560	1,560			1,560
Travel	7,690	3,627	11,317	334	478	12,129
Educational classes and fieldtrips	116	7,657	7,773			7,773
Licenses, accreditations, and subscriptions	442	93	535	118	7,766	8,419
Other	<u>15,431</u>	<u>4,871</u>	<u>20,302</u>	<u>3,508</u>	<u>4,558</u>	<u>28,368</u>
Total expenses	<u>\$ 562,668</u>	<u>\$ 541,862</u>	<u>\$ 1,104,530</u>	<u>\$ 210,186</u>	<u>\$ 240,543</u>	1,555,259
Direct donor benefits						<u>68,093</u>
Total						<u>\$ 1,623,352</u>

See accompanying notes to financial statements.

The Houston Audubon Society, Inc.

Statements of Cash Flows for the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,891,508	\$ 223,059
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	132,579	82,291
Contributions restricted for capital projects	(679,148)	(447,666)
Contributions restricted for endowment	(100)	(121,250)
Net realized and unrealized (gain) loss on investments	(717,070)	36,394
Contributions of nature sanctuaries	(383,170)	
Transfer of nature sanctuary to other organization	50,120	
Change in cash surrender value of life insurance	(7,023)	(6,945)
Changes in operating assets and liabilities:		
Contributions receivable	(61,838)	270,847
Other assets	130,019	(64,458)
Accounts payable and accrued expenses	(16,491)	3,205
Deferred revenue	35,000	3,175
Refundable advances – Paycheck Protection Program	<u>188,766</u>	<u>188,600</u>
Net cash provided by operating activities	<u>563,152</u>	<u>167,252</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales of short-term investments	(300,139)	934,046
Purchases of long-term investments	(220,494)	(494,757)
Sales of long-term investments	183,597	470,571
Change in money market mutual funds held as investments	(35,769)	(45,819)
Purchases of nature sanctuaries	(289,673)	(14,534)
Purchases of depreciable property	<u>(282,894)</u>	<u>(2,159,415)</u>
Net cash used by investing activities	<u>(945,372)</u>	<u>(1,309,908)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital projects	594,786	447,666
Proceeds from contributions restricted for endowment	<u>100</u>	<u>121,250</u>
Net cash provided by financing activities	<u>594,886</u>	<u>568,916</u>
NET CHANGE IN CASH	212,666	(573,740)
Cash, beginning of year	<u>115,582</u>	<u>689,322</u>
Cash, end of year	<u>\$ 328,248</u>	<u>\$ 115,582</u>
<i>Supplemental disclosure of cash flow information:</i>		
Contributions of marketable securities (sold upon receipt)	\$5,122	\$119,828

See accompanying notes to financial statements.

The Houston Audubon Society, Inc.

Notes to Financial Statements for the years ended June 30, 2021 and 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Houston Audubon Society, Inc. (HAS) is a Texas nonprofit corporation organized in 1969 as an autonomous and self-supporting chapter of the National Audubon Society. HAS was founded to promote conservation of wildlife and natural resources. Land and habitat conservation, natural science education and conservation advocacy are the pillars guiding the organization’s work. HAS is accredited by the Land Trust Accreditation Commission, demonstrating its commitment to a sound program of land conservation and stewardship. HAS’s stated mission is to advance the conservation of birds and positively impact their supporting environments through leading and nurturing a community that values and supports birds. Strategies to achieve that mission include protecting priority habitats for birds, creating bird friendly communities, and inspiring people to learn more about and appreciate birds in their natural environment.

HAS currently has approximately 4,100 members, coordinates 350 volunteers, conducts nature-based education programs, and owns and manages 17 nature sanctuaries on the upper Texas coast. The over 4,100 acres of land protected within these sanctuaries feature diverse habitats including piney woods, marshes, and endangered coastal prairies. Several sanctuaries are open to the public, including two urban sanctuary centers located in Houston, Texas and world-renowned coastal sanctuaries located in High Island and the Bolivar Peninsula, Texas. HAS’s headquarters and native plant nursery are located at the Edith L. Moore Nature Sanctuary in west Houston.

After receiving critical funding in prior years, several capital projects were completed in 2021, including an elevated canopy walkway and permanent restrooms at Smith Oaks Sanctuary, improved volunteer and staff facilities at HAS’s Coastal Operations Center in High Island and a second native plant nursery to support coastal habitat restoration efforts. In addition, HAS acquired approximately 600 acres to expand the High Island sanctuary system and received a donation of 40 acres on North Deer Island, further protecting the most productive waterbird breeding colony in Galveston Bay.

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. At times, demand deposits exceed the federally insured limit per depositor per institution.

Short-term investments are reported at fair value and consist of U. S. Government and Treasury money market mutual funds as of June 30, 2021 and 2020. All other investments are considered long term.

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.

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 having a cost of more than \$5,000 and an estimated life of more than one year is 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.

Non-cash 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.

In 2021, approximately 350 volunteers have contributed over 8,200 hours of time in connection with programs and administration for which no amount has been recorded in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles. In 2020, approximately 350 volunteers contributed over 5,600 hours of time. The lower number of hours in 2020 was due primarily to COVID-19 safety protocols and the resulting closures of sanctuaries and cancellations of programming during the busy spring migration season.

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 benefits 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 \$16,500 of contract assets resulting from fees at June 30, 2021, 2020 and 2019. Liabilities resulting from program fees are \$12,020 at June 30, 2021, \$2,270 at June 30, 2020, and \$3,845 at June 30, 2019.

Merchandise sales are derived from themed apparel, educational books, native plants and other items at three 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 contract assets or liabilities resulting from merchandise sales at June 30, 2021, 2020, or 2019.

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.

Recent financial accounting pronouncement – Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for years beginning after June 15, 2021, and requires retrospective application. HAS will adopt this ASU in fiscal year 2022.

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:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 328,248	\$ 115,582
Short-term investments	1,286,599	986,460
Contributions receivable	148,922	2,722
Long-term investments	<u>3,673,411</u>	<u>2,883,675</u>
Total financial assets	5,437,180	3,988,439
Less financial assets not available for general expenditure:		
Endowment investments not expected to be appropriated in the next 12 months	(2,250,012)	(1,771,613)
Restricted by donors for capital projects and additions	<u>(808,796)</u>	<u>(443,708)</u>
Total financial assets available for general expenditure	<u>\$ 2,378,372</u>	<u>\$ 1,773,118</u>

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.

In March 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of COVID-19 and a national emergency was declared in the United States. In fiscal year 2020 and 2021, HAS temporarily closed some sanctuaries and cancelled or postponed in-person events and programs. The extent of the impact of COVID-19 on HAS's future operational and financial performance will depend on developments such as the duration and spread of the outbreak, and the impact on HAS's donors, customers, employees, and vendors, all of which are uncertain and cannot be predicted.

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 \$990,720 at June 30, 2021. Although HAS does not intend to spend from the board-designated investments, amounts from the board-designated investments could be made available, if necessary.

To enhance its liquidity, HAS received a Paycheck Protection Program (PPP) loan of \$188,600 in May 2020. In March 2021, HAS received additional financial relief of \$188,766 funded under the Small Business Administration's PPP Second Draw. The PPP loans principal and interest (1% annual interest rate) may be forgiven, in whole or in part, if funds are used within a specified period for the intended purposes. The loans are considered to be conditional contributions that have not been recognized as revenue because lender forgiveness has not yet been received at June 30, 2021. In September 2021, the Small Business Administration approved forgiveness of the first PPP loan of \$188,600. This amount will be recognized as contribution revenue in the fiscal year ended June 30, 2022.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contribution receivable are as follows:

	<u>2021</u>	<u>2020</u>
Contributions receivable for capital additions	\$ 84,362	
Operating contributions receivable	<u>64,560</u>	<u>\$ 2,722</u>
Total contributions receivable	<u>\$ 148,922</u>	<u>\$ 2,722</u>

At June 30, 2021, all contributions receivable are expected to be collected within one year.

NOTE 4 – 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, 2021 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Short-term investments:				
Money market mutual funds	\$ 1,286,599			\$ 1,286,599
Long-term investments:				
Exchange-traded domestic equity funds:				
Large-cap growth	421,029			421,029
Large-cap blend	308,606			308,606
Mid-cap growth	148,292			148,292
Mid-cap value	146,369			146,369
Equity mutual funds:				
International	439,477			439,477
Large-cap blend	218,531			218,531
Large-cap growth	196,359			196,359
Small-cap blend	137,817			137,817
Small-cap growth	134,986			134,986
Fixed-income mutual funds:				
Government bond	550,200			550,200
Domestic bond	188,688			188,688
Alternative strategies mutual funds:				
Energy limited partnership	70,265			70,265
Tactical allocation	61,228			61,228
Real estate	60,869			60,869
Managed futures	56,381			56,381
Commodities broad basket	33,456			33,456
Exchange-traded domestic bond funds:				
Government bond	239,310			239,310
Exchange-traded international equity funds:				
International large blend	141,803			141,803
Money market mutual funds	<u>119,745</u>			<u>119,745</u>
Total assets measured at fair value	<u>\$ 4,960,010</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,960,010</u>

Assets measured at fair value at June 30, 2020 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Short-term investments:				
Money market mutual funds	\$ 986,460			\$ 986,460
Long-term investments:				
Exchange-traded domestic equity funds:				
Large-cap growth	333,846			333,846
Large-cap blend	267,197			267,197
Mid-cap growth	103,569			103,569
Mid-cap value	97,423			97,423
Equity mutual funds:				
International	331,950			331,950
Large-cap blend	172,976			172,976
Large-cap growth	170,319			170,319
Small-cap blend	91,763			91,763
Small-cap growth	98,780			98,780
Fixed-income mutual funds:				
Government bond	486,583			486,583
Domestic bond	138,799			138,799
Alternative strategies mutual funds:				
Energy limited partnership	48,434			48,434
Tactical allocation	53,219			53,219
Real estate	45,380			45,380
Managed futures	52,934			52,934
Commodities broad basket	23,654			23,654
Exchange-traded domestic bond funds:				
Government bond	176,369			176,369
Exchange-traded international equity funds:				
International large blend	106,504			106,504
Money market mutual funds	83,976			83,976
Total assets measured at fair value	<u>\$ 3,870,135</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,870,135</u>

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 5 – DEPRECIABLE PROPERTY

Depreciable property is comprised of the following:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 1,059,315	\$ 584,548
Land and building improvements	2,910,409	926,167
Furniture, fixtures and equipment	239,715	223,815
Construction in progress	<u>26,612</u>	<u>2,418,656</u>
Total depreciable property, at cost	4,236,051	4,153,186
Accumulated depreciation	<u>(832,383)</u>	<u>(699,804)</u>
Depreciable property, net	<u>\$ 3,403,668</u>	<u>\$ 3,453,382</u>

NOTE 6 – NATURE SANCTUARIES SYSTEM

Nature sanctuaries as of June 30, 2021 are comprised of the following:

	APPROXIMATE <u>ACREAGE</u>	CARRYING <u>VALUE</u>
High Island sanctuaries (Louis Smith Boy Scout Woods, Smith Oaks, Eubanks Woods and S.E. Gast Red Bay)	855	\$ 1,711,592
Bolivar Flats Shorebird Sanctuary	1,215	970,023
Horseshoe Marsh Bird Sanctuary	666	642,495
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	<u>2</u>	<u>0</u>
Total nature sanctuaries	<u>4,113</u>	<u>\$ 4,621,958</u>

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Invested in depreciable property	\$ 3,403,668	\$ 3,453,382
Undesignated	1,886,484	1,366,003
Land held as nature sanctuaries	1,216,835	594,112
Board-designated for land and facilities stewardship endowment	<u>990,720</u>	<u>798,401</u>
Total net assets without donor restrictions	<u>\$ 7,497,707</u>	<u>\$ 6,211,898</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
High Island Field Station development	\$ 631,560	\$ 115,500
Land acquisition and management	86,792	296,258
Bolivar Peninsula land pre-acquisition costs	25,000	
Houston Audubon Raptor and Education Center development	20,421	40,927
Bolivar Flats vehicular barrier	20,000	
Horseshoe Marsh nature trails	17,362	
Coastal Natives Nursery	16,838	
Smith Oaks skywalk, restrooms, and visitor pavilion		30,064
High Island Coastal Operations Center development		16,769
Other	<u>15,940</u>	<u>71,799</u>
Total subject to expenditure for specified purpose	<u>833,913</u>	<u>571,317</u>
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>50,000</u>	
Endowments:		
Subject to spending policy and appropriation:		
Land and facilities stewardship endowment – general	530,940	407,106
Land and facilities stewardship endowment – Bolivar sanctuaries	376,058	303,057
Land purchase endowment	333,260	302,521
Callery Alexander and general endowment	<u>230,586</u>	<u>165,057</u>
Total endowments	<u>1,470,844</u>	<u>1,177,741</u>
Not subject to appropriation or expenditures:		
Land held as nature sanctuaries	<u>3,405,123</u>	<u>3,405,123</u>
Total net assets with donor restrictions	<u>\$ 5,759,880</u>	<u>\$ 5,154,181</u>

NOTE 9 – ENDOWMENT FUNDS

Endowment net asset composition as of June 30, 2021 is as follows:

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>		<u>TOTAL</u>
		<u>SUBJECT TO SPENDING POLICY AND APPROPRIATION</u>	<u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	
Donor-restricted endowment funds:				
Land and facilities stewardship		\$ 883,998	\$ 23,000	\$ 906,998
Land purchase		209,896	123,364	333,260
General		105,021	125,565	230,586
Board-designated for land and facilities stewardship	<u>\$ 990,720</u>			<u>990,720</u>
Endowment net assets	<u>\$ 990,720</u>	<u>\$ 1,198,915</u>	<u>\$ 271,929</u>	<u>\$ 2,461,564</u>

Endowment net asset composition as of June 30, 2020 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		\$ 710,163		\$ 710,163
Land purchase		179,257	\$ 123,264	302,521
General		62,492	102,565	165,057
Board-designated for land and facilities stewardship	\$ 798,401			798,401
Endowment net assets	\$ 798,401	\$ 951,912	\$ 225,829	\$ 1,976,142

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, 2019	\$ 789,149	\$ 813,228	\$ 225,829	\$ 1,828,206
Contributions		121,250		121,250
Net investment return	9,252	17,434		26,686
Endowment net assets, June 30, 2020	798,401	951,912	225,829	1,976,142
Contributions and transfers			46,100	46,100
Net investment return	192,319	247,003		439,322
Endowment net assets, June 30, 2021	\$ 990,720	\$ 1,198,915	\$ 271,929	\$ 2,461,564

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 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 10 – RETIREMENT PLAN

HAS sponsors a §401(k) plan covering employees age 21 and over who have completed one year and 1,000 hours of employment. Eligible employees may contribute from 1% to 92% of their salary to the plan, subject to the Internal Revenue Service limits. HAS matches employee contributions of 1% plus one-half of employee contributions of 2% to 6%, for a maximum employer match of 3.5% of each employee's salary. HAS contributed \$21,203 to this plan during 2021 and \$19,695 during 2020.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 20, 2021, which is the date that the financial statements were available for issuance. No events were identified, other than the forgiveness of the PPP loan and the ongoing impact of the pandemic, that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
